City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Chris Daly, Sean Elsbernd

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Thursday, February 17, 2005 **1:00 PM** **City Hall, Room 263**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

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Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. 050175 **[Improve retention of nurses and patient outcomes at San Francisco General Hospital]**

Supervisor Ammiano

Resolution authorizing the San Francisco Department of Public Health/San Francisco General Hospital (SFDPH/SFGH) to accept retroactively and expend grant funds in the first year amount of $626,650 from an award to the San Francisco General Hospital Foundation (SFGHF) from the Gordon and Betty Moore Foundation to improve retention of nurses and patient outcomes at San Francisco General Hospital and to add one new position at SFDPH/SFGH; for the period of December 1, 2004, to November 30, 2005.

2/1/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. Sponsor requests this item be scheduled for consideration at the February 10, 2005 meeting.

2. 050171 **[Retroactively Accept-Expend Federal Funding-HOME American Dream Downpayment Initiative Program and Permanent Housing for the Chronically Homeless Funds]**

Supervisors Dufty, Elsbernd

Resolution authorizing the Mayor of the City and County of San Francisco to retroactively accept and expend grants from the U.S. Department of Housing and Urban Development (HUD) for a total amount of $1,358,286 including $858,286 for the HOME American Dream Downpayment Initiative Program, and $500,000 in Competitively Reallocated HOME Funds to Provide Permanent Housing for the Chronically Homeless, authorized under TITLE II of the National Affordable Housing Act of 1990, Public Law Number 101-625.

2/1/05, REFERRED FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA AT THE NEXT BOARD MEETING.
2/8/05, REFERRED to Budget and Finance Committee. Supervisor Daly requested that this matter be referred to Committee.

Supervisor Elsbemd requested to be added as a co-sponsor.

3. 041240 **[Board of Supervisors/Clerk of the Board Annual Budget Guidelines for FY 2005-06.]**

Hearing to consider the annual review and approval of the Board of Supervisors/Clerk of the Board Annual Budget Guidelines for FY 2005-06. (Clerk of the Board)

9/14/04, RECEIVED AND ASSIGNED to Budget Committee.
1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure.

4. 050167 **[Reserved Funds, Mayor's Office of Community Development]**

Hearing to consider release of reserved funds, Mayor's Office of Community Development in the amount of $80,000 to provide façade improvement services for small business owners in the Mission and Ocean Avenue neighborhoods. (Mayor)

2/2/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

5. 050169 **[Reserved Funds, Economic and Workforce Development]**

Hearing to consider release of reserved funds, Economic Workforce Development fiscal year 2004-05 Budget, in the amount of $823,367 to fund the department's work plan. (Mayor)

2/3/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

6. 050095 **[Sale of Lot 5 in Block 4357]**

Resolution authorizing a sale of land under the jurisdiction of the San Francisco Public Utilities Commission to Gaehwiler; adopting findings that the conveyance is in conformity with the City's General Plan and is consistent with the Eight Priority Policies of City Planning Code Section 101.1; adopting findings pursuant to the California Environmental Quality Act; ratifying acts and authorizing actions in furtherance of this resolution; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution. (Real Estate Department)

1/21/05, RECEIVED AND ASSIGNED to Finance and Audits Committee.
1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure effective 2/7/05.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day Rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

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Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

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The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Dr. Carlton B. Goodlett Place and Grove Street.

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Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Adele Destro by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at sotf@sfgov.org
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Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

February 11, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: February 17, 2005 Budget and Finance Committee Meeting

Item 4- File 05-0167

Department:	Mayor's Office of Community Development (MOCD)
Item:	Hearing to consider release of $80,000 reserved in the 2004 Community Development Block Grant (CDBG) Program budget.
Amount:	$80,000
Source of Funds:	Previously reserved funds in the 2004 CDBG Program budget.
Description:	Under Title I of the Federal Housing and Community Development Act of 1974, as amended, and related Federal regulations, San Francisco is eligible to receive an annual Community Development Block Grant (CDBG). The primary objective of the CDBG Program is to develop viable urban communities by supporting programs that provide decent housing, a suitable living environment, and economic opportunity for low and moderate-income residents of San Francisco.

Under the 1999, 2001, 2002, and 2004 CDBG programs, the Board of Supervisors placed a total of $3,360,882 in

CDBG funds on reserve pending the submission of additional budgetary and related information to the Board of Supervisors. To date, the Finance and Audits Committee had released $2,757,133 including $1,752,773 at its meeting of November 17, 2004 (File 04-1513) which left $603,749 remaining on reserve ($3,360,882 less $2,757,133).

Under File 04-1513, the Mayor's Office of Community Development had requested the release of $1,832,773 in previously reserved CDBG funds, or $80,000 more than the amount released by the Finance and Audits Committee. The $80,000 under that prior request was for the Mission Neighborhood Center to have a cultural sculpture depicting a lunar goddess in a sidewalk bulb area. At the Finance and Audits Committee Meeting of November 17, 2004, the Director of MOCD withdrew that $80,000 sculpture request.

MOCD is now requesting approval from the Budget and Finance Committee for the release of that previously requested $80,000 to provide for façade improvements for small business owners in the Mission and Ocean Avenue neighborhoods uner the MOCD Facade Improvement Program as described in Attachment I to this report provided by Mr. John Hudson of MOCD.

Budget: The budget of $80,000 for this proposed Facade Improvement Program project is as follows:

Task Description	Amount
Architectural Design Services for 6 store fronts @ $3,333 per façade (rounded)	$20,000
Six Façade Storefront Improvements 6 x $10,000 per Façade Improvement	60,000
TOTAL	**$80,000**

Comments: 1. If this release of $80,000 is approved, a total of $523,749 in CDBG funds would remain on reserve ($603,749 currently on reserve less $80,000).

A summary of the amounts remaining on reserve is shown in the following table:

Year Funds Were Originally Allocated	Total CDBG Funds Currently on Reserve	Subject Requested Release of Reserved Funds	Balance Remaining on Reserve after this Request
2001	$50,000	$0	$50,000
2002	5,750	0	5,750
2004	547,999	80,000	467,999
Total:	$603,749*	$80,000	$523,749

* MOCD previously reported an amount of $604,592.

2. According to Mr. Hudson, MOCD will allocate the $80,000 for façade improvements to small business owners in the Mission and Ocean Avenue neighborhoods, in accordance with the criteria set forth in Attachment I.

3. Asian Neighborhood Design, a non-profit agency, will provide architectural design services to small business owners for the facade improvement projects. According to Mr. Hudson, such architectural design services represent a continuation of contract services provided by Asian Neighborhood Design who was selected by MOCD to design facade improvement projects.

4. Attachment II to this report provided by Mr .Hudson, contains a list of prior Façade Improvement projects. As shown in Attachment II, a total of $327,008 was previously allocated for such projects.

Recommendation: Approve the requested release of $80,000 in CDBG funds on reserve.

CITY AND COUNTY OF SAN FRANCISCO
MAYOR'S OFFICE OF COMMUNITY DEVELOPMENT
FAÇADE IMPROVEMENT PROGRAM

PROGRAM BACKGROUND:

The Mayor's Façade Improvement Program is a tool to revitalize the City's neighborhood commercial corridors. The City will partner with property and business owners in neighborhood commercial districts to help revitalize retail corridors, increase commercial activity and enhance districts' streetscapes.

PROGRAM ELIGIBILITY CRITERIA:

1. Program participants must be property and/or business owners located in targeted commercial corridors.

2. Participants must show evidence of a long-term lease (with a minimum of three years remaining).

3. Participants must demonstrate evidence of financing for self-funded share of construction costs

4. Eligible buildings must be commercial and/or mixed-use buildings with first floor retail storefronts.

5. Participants' storefronts must be visible from the street.

6. The proposed project should be a neighborhood-serving business that provides goods and services for low- to moderate--income residents.

7. Projects must be within buildings that have undergone seismic retrofitting or are undergoing retrofitting

ELIGIBLE IMPROVEMENTS:

The rehabilitation of the storefronts must have a visual impact on the commercial corridor. Qualified enhancements include, but are not limited to the following:

- Repair and replacement of doors and windows;
- Detailing, painting, and cleaning;
- Removal and replacement of old signage (including neon);

- Repair or replacement of awnings;
- Repair or replacement of exterior lighting fixtures;
- Removal of safety grilles and guards;
- Replacement or installation of new tiles.

PROPERTY-SELECTION STRATEGY:

- Projects must be located in one of the targeted neighborhoods.
- Estimated project costs cannot exceed the program funding limits.
- All proposed improvements must be included on the list of eligible improvements.
- Clustered properties are selected for maximum impact.
- Liquor stores, check cashing and adult-entertainment related businesses are not eligible for program funding.
- The City reserves the right to determine whether an applicant may participate in the program on a case-by-case basis.

PROGRAM FUNDING:

1. The City will provide dollar for dollar matching grants (termed forgivable loans) up to a maximum of $9,500 or 50 percent of the project costs per storefront, for exterior renovations to property and business owners' storefronts. All projects must be approved through the application process and completed as demonstrated by a certificate of completion.

2. Business or property owners will be required to provide a dollar-for-dollar match from cash reserves or borrowed funds. The applicant must demonstrate the financial resources to cover the complete cost of the project with their own or borrowed funds, as grants (termed forgivable loans) will in most cases not be reimbursed or paid until after project completion.

3. The City will also operate a companion low interest loan program for business or property owners who may use it to meet or supplement their matching cost share for a project, or in some cases for the entire cost of the project for those projects that may not qualify for matching grant funds. Façade Loans will be offered at a below market interest rate for a term of at least five years. The loan funds will be provided by local financial institutions and managed by the Mayor's Office of Community Development.

DESIGN SERVICES:

An architectural consultant will be retained by the Mayor's Office of Community Development and will meet with approved program participants and City staff, at no cost to the applicant, to provide the following services:

- Generate ideas and specific physical improvements based on participants' goals and expectations;
- Discuss possible required permits and zoning issues; and
- Advise on eligible uses of program funds.
- Each applicant will be allowed a fixed amount of hours with the design consultant.

BUILDING CONTRACTORS:

- Participants will make every effort to secure no less than three bids from licensed contractors.
- It is the sole responsibility of each participant to select a contractor(s) who meets requirements and complies with specifications of the design. MOCD staff will provide assistance when needed.
- Contractors will be required to attend a pre-construction meeting.

PROCESS:

1. Interested applicants must submit a completed façade grant or loan application. The Façade Improvement Program applications will be reviewed by the Mayor's Office of Community Development. Selection is based on program eligibility criteria, and availability of funding.
2. Once selected, interested applicants must pay a security deposit of $250 for projects under $5,000 or $500 for projects over $5,000. The security deposit will be applied to the participants' match and will be non-refundable upon cancellation.
3. Participants must sign a preliminary agreement with the Mayor's Office of Community Development.
4. Participants must meet with the City's architectural consultant.
5. Participants must review and approve the architect's schematic drawings and designs.

6. All proposed projects are subject to approval by the Mayor's Office of Community Development.

7. Participant finalizes design.

8. Participant must complete a bidding process, according to City guidelines.

9. Participant must select a qualified, licensed contractor. (Contractors will be required to obtain all required permits.)

10. Participant and contractor attend a pre-construction conference with City staff.

11. Participant must sign agreement with contractor.

12. Construction begins.

13. Participant must submit final proof of payment for the contractor to the Mayor's Office of Community Development.

14. Architect signs certificate of substantial completion.

AGREEMENTS:

1. All façade improvements should be completed within 120 calendar days of the signing of the Façade Improvement Program Grant and/or Loan Agreement.

2. Upon construction completion, City staff will schedule a final site visit with participants and contractors to determine that the work done is consistent with the approved design concepts.

3. The property/business owner is required to maintain the façade and to confer with the Mayor's Office of Community Development prior to making any significant changes to the renovated façade for three years subsequent to the improvement. Façade maintenance includes the following:

    - keeping the sidewalk in front of the property clean and clear of clutter and garbage;
    - removing graffiti in a timely manner;
    - maintaining paint cans on-site for paint touchups; and
    - cooperating with neighbors and the SFPD to eliminate illegal activity in and in front of the buildings.

4. Participants shall display a Mayor's Façade Improvement Program sign for one year.

REIMBURSEMENT:

Grant Funds Reimbursement:

After City staff review the completed work, the City will issue a reimbursement within 30 calendar days of submission of the following:

- Two 8 x 10 color photos of the completed project;
- Summary of paid receipts; and
- Proof of final payment to the General Contractor.
- Certificate of substantial completion by the project architect.

Note: In some cases funds may be released thru progress payments during the construction phase of the project based on the demonstrated financial need of the applicant.

Loan Funds:

Loan funds will be disbursed on as needed basis throughout the construction phase of the project.

**Project Summary for Façade Improvement Projects
Supported by MOCD, MOED, and SFRA
1999-2004**

1. **Neighborhood: Tenderloin / $ 246,214 (1999-2004)**
   Projects Completed: 19 Façade Improvements plus 11 Neon Sign Restorations
   CBO Partner: Tenderloin Neighborhood Development Corporation

2. **Neighborhood: Mission / $30,327 (2002-2003)**
   Projects Completed: 11 Façade Improvements
   CBO Partner: Mission Economic Development Association

3. **Neighborhood: South of Market** – Sixth St. - **$ 50,467 (2003-2004)**
   Projects Completed: 5 Façade Improvements / plus 17 Projects in Design Phase
   CBO Partner: Urban Solutions

Total Funds: $ 327,008

Item 5 - File 05-0169

Department: Economic and Workforce Development Department

Item: Request for release of reserved funds in the amount of $823,367 for the Economic and Workforce Development Department.

Amount: $823,367

Source of Funds: Funds previously appropriated and reserved by the Board of Supervisors in the Economic and Workforce Development Department's FY 2004-2005 budget.

Description: The Board of Supervisors placed a reserve of $823,367 on the FY 2004-2005 Economic and Workforce Development Department's budget, pending submission to the Board of Supervisors of a detailed work plan and update on specific economic development activities in the City. The Department is now requesting that the $823,367 in previously reserved funds be released.

Budget: Attachment I to this report, provided by Mr. Rich Hillis of the Economic and Workforce Development Department contains a budget for the $823,367 reserve, which is summarized as follows.

Type of Expenditure	Description	Amount Requested
Salaries including fringe benefits	5 staff positions	$308,314
Neighborhood development grants	6 grants	140,000
Prop I implementation	Consultant fees	75,000
City Attorney	Legal services	200,000
Redevelopment Agency	1 staff position	100,000
Total Request		$823,314*

* See Comment No. 4.

As shown above, $308,314 of the reserved funds are for salaries and fringe benefits for five staff positions. Three of the five positions (Department Head, Manager VI, and Executive Secretary) are existing positions, and $184,785 of the $308,314 will pay for seven months of their salaries, retroactive from December 1, 2004 through June 30, 2005. Two of the

five positions are new Manager I positions at an annual salary of $91,500 each. These two new positions have not yet been filled. As shown in Attachment I, $61,866 of the $308,314 would be used to pay for four months of their salaries, $30,933 each from March 1, 2005 through June 30, 2005 (see Comment No. 1). The remaining $61,663 ($308,314 less $184,785 less $61,866 equals $61,613) is for fringe benefits for all five positions.

Mr. Hillis advises that $140,000 of the requested reserved funds would be expended for six neighborhood development grants. According to Mr. Hillis, these six neighborhood development grant recipients were chosen based on a Request for Funding Availability (RFA) issued by the Economic and Workforce Development Department. Attachment II, provided by Mr. Hillis, provides information on these six grants.

Three of these grant-funded projects totaling $45,000 are Community Benefit Districts (CBD), in the Tenderloin, Castro, and Noe Valley. A Community Benefit District is a funding mechanism through which property owners can vote to assess themselves additional property taxes to be used for additional services and benefits, such as enhanced street cleaning and security. One $40,000 grant is for the Encore Grant, for a staffperson to implement an action plan to manage promotional events, beautifcation and marketing and business attraction efforts for the Excelsior community. Another $55,000 is for the Local Initiatives Support Corporation (LISC) to fund neighborhood commercial corridor revitalization efforts on San Bruno Avenue, Ocean Avenue, Polk Street, Leland Avenue (Visitacion Valley) and 3rd Street. LISC is a national nonprofit agency, with local offices in San Francisco who provides neighborhood community and economic development services.

Mr. Hillis advises that $75,000 of the requested reserved funds would be used to retain a consultant to assist in the implementation of Proposition I, which was approved by the San Francisco voters in November of 2004. Proposition I, Economic Analysis of

Legislation, requires the Economic and Workforce Development Department to develop a long-term economic development plan for the City of San Francisco. Mr. Hillis advises that a consultant has not yet been selected for this work, and the Department is currently developing a Request for Proposal (RFP) for the selection of such consultant.

Mr. Hillis further advises that $200,000 of the requested reserved funds would pay the salaries and fringe benefits for one attorney and one administrative position from the City Attorney's Office working full-time for the Economic and Workforce Development Department's Base Reuse and Development Office on the Hunter's Point Shipyard and Treasure Island projects retroactive from July 1, 2004 through June 30, 2005.

The final $100,000 of the requested reserved funds would pay for the salary and fringe benefits for one staff person from the San Francisco Redevelopment Agency to work full-time for the Economic and Workforce Development Department's Base Reuse and Development Office on the Hunter's Point Shipyard project retroactive from July 1, 2004 through June 30, 2005. Mr. Hillis states that in accordance with the Hunter's Point Shipyard Development Agreement, this $100,000 in work order expenses would be reimbursed by the Hunter's Point Shipyard developer, Lennar Corporation.

Comments:

1. As noted above, three of the five staff positions are filled. Although this reserve was effective December 1, 2004, Ms. Monique Zmuda of the Controller's Office advises that, in accordance with both State law and Memorandum of Understanding (MOU) provisions, the Controller has been required to pay the salaries and fringe benefits for these three City employees for the work performed.

2. Two of the total five positions are new Manager I positions that have not yet been filled. However, the Budget Analyst notes that these two new Manager I positions were included in the Department's FY 2004-2005 budget, assuming that they would be filled as of

October 1, 2004. Mr. Hillis advises that, if the proposed requested release of reserved funds is approved, the Department would fill these two new Manager I positions beginning March 1, 2005.

3. Therefore, based on a March 1, 2005 effective hire date, instead of a hire date of October 1, 2004, the Budget Analyst recommends that the requested release of reserved funds be reduced for the five-month period between October 1, 2004 and February 28, 2005 when funds would not be expended. Such a reduction would include $76,250 for salaries and $19,062 for fringe benefits, resulting in a total recommended reduction of $95,312.

4. The Budget Analyst also notes that although the total amount placed on reserve is $823,367, the budget for the requested release of reserved funds submitted by Mr. Hillis totals $823,314, resulting in an unneeded amount of $53. Therefore, the Budget Analyst recommends that the requested release of reserved funds be reduced by a total of $95,365 ($95,312 plus $53).

5. Mr. Hillis advised that the Department will provide detailed updates on the Department's other economic development activities, as previously requested by the Board of Supervisors when the Board adopted the Department's FY 2004-2005 budget, directly to the Budget and Finance Committee at the Committee's meeting of February 17, 2005. Therefore, the Budget Analyst considers approval of the requested release of reserved funds to be a policy matter for the Board of Supervisors.

Recommendations: 1. In accordance with Comment No. 4 above, reduce the requested release of reserved funds by $95,365 from $823,367 to $728,002 to reflect (a) $95,312 for five months of surplus salaries and fringe benefits for two Manager I positions, and (b) a $53 unneeded amount.

2. Approval of the requested release of reserved funds, as amended, is a policy matter for the Board of Supervisors. If approved, an amount of $728,002 should be released and $95,365 should continue to be reserved.

Attachment I

ECONOMIC AND WORKFORCE DEVELOPMENT
SPENDING PLAN FOR RESERVED FUNDS

Char/JobClass	Object Title/Job Title	Total	Description
0922	MANAGER I	30,933.00	New position - 4 months
0922	MANAGER I	30,933.00	New position - 4 months
0933	MANAGER VI	84,555.00	Filled position - 7 months
0963	DEPARTMENT HEAD	69,105.00	Filled position - 7 months
1450	EXECUTIVE SECTY	31,125.00	Filled position - 7 months
-	FRINGE BENEFITS	61,662.75	Fringe Benefits
021	OTHER CURRENT EXPENSES	15,000.00	CBD Grant - Tenderloin
021	OTHER CURRENT EXPENSES	15,000.00	CBD Grant - Castro
021	OTHER CURRENT EXPENSES	15,000.00	CBD Grant - Noe Valley
021	OTHER CURRENT EXPENSES	40,000.00	Encore Grant
021	OTHER CURRENT EXPENSES	15,000.00	Vis Valley Econ Dev Grant
021	OTHER CURRENT EXPENSES	40,000.00	LISC Grant - San Bruno, Ocean, Polk, Leland, 3rd
021	OTHER CURRENT EXPENSES	75,000.00	Prop I Implementation
081	CITY ATTY - LEGAL SERVICES	200,000.00	City Atty - Treasure Island and HPSY
081	SF REDEV AGENCY SERVICES	100,000.00	Redevelopment - HPSY
		823,313.75	

ECONOMIC AND WORKFORCE DEVELOPMENT
UPDATE ON EXISTING GRANTS

1. CBD Grants ($45,000) – The department is providing three neighborhoods with grants for technical assistance to form Community Benefit Districts (CBD). The neighborhoods are Noe Valley, Castro/Upper Market and the Tenderloin. A CBD is a special assessment district sometimes known as a Business Improvement District (BID). A CBD is a funding mechanism through which property owners in a neighborhood business district can vote, through a public hearing process, to ask the Board of Supervisors to levy assessments on affected parcels. The revenue generated by these additional assessments would go entirely to fund special benefit services (services that go above and beyond what the City already provides) within the designated assessment district. Each of the districts have completed Phase I of the CBD formation process, including:

    - Convened steering committee of property owners and other key stakeholders
    - Conducted outreach to additional key stakeholders
    - Confirmed community consensus on the assets and needs of the neighborhood
    - Created a preliminary map of neighborhood boundaries
    - Created database of neighborhood property owners
    - Surveyed neighborhood property owners and tabulated responses to show support or opposition to CBD

2. LISC & Visitacion Valley Grant ($55,000) – The departments provided a grant of $55,000 to the Local Initiative Support Corporation (LISC) in 2005 to fund neighborhood economic development planning and commercial corridor revitalization work on 3rd Street, Leland Avenue, San Bruno Avenue and Ocean Avenue. Working with the department, LISC has accomplished the following:

Visitacion Valley – Leland/Bayshore

- Organized Steering Committee including Vis Valley Planning Alliance, Vis Valley CDC, and Chinese for Affirmative Action
- Assembled technical assistance team including LISC, Urban Solutions, Asian Neighborhood Design (Haas Jr funding)
- Conducted key stakeholder interviews and worked with local volunteers to conduct merchant outreach, compile business inventory and property data
- Coordinated series of 4 community meetings
- Volunteers and steering committee members decorated Leland Ave. parking meters for the holiday and passed out energy efficient holiday lights to merchants
- Prepared Draft Action Plan, a business development strategy document, and renderings for physical improvements on Leland and Bayshore.
- Steering committee submitted a grant application to MOCD for funds for staffing and other programmatic resources to implement the Action Plan
- Next step: Work with steering committee to jump start committee structure and begin implementing additional Action Plan projects

Ocean Avenue

- Organized Steering Committee including OMI Business League and OMI Neighbors in Action
- Conducted merchant and key stakeholder interviews about needs and priorities of the neighborhoods
- Completed business inventory and vacancy inventory and business cluster map, property owner database, and business attraction target list
- Completed Action Plan
- Conducted one community meeting and will conduct a second meeting December 8 to get final input on Action Plan
- Conducted 2 additional community meetings and prioritized Action Plan activities
- Holiday decoration campaign raised $1300 and engaged merchants, residents and neighborhood organizations
- Took advantage of Dept. of Environment energy efficient lights and distributed to merchants (all of our neighborhoods accessed them)
- Providing limited technical assistance to new merchants association, Merchants On Ocean

San Bruno Ave

- Conducted interviews with key stakeholders, including SFOP
- Determined that $98,000 state façade grant must be spent by June 2005 and use cannot be amended; also assisted SFOP to prevent funds from being de-obligated by State Controller in mid January 2005
- Developed work plan, met with interested property owner (library building at Silliman), designer, and consultant to determine project feasibility
- Convened local steering committee to manage outreach and selection process and oversee the project
- Recommended project management consultant to San Francisco Organizing Project (fiscal agent for grant) and they will enter into a contract with her and the designer once the steering committee makes final selection (week of 2/7)

Bayview/Third Street

- Organized partnership with Bayview Merchants Association and Bayview Business Resource Center
- Collected relevant planning documents
- Conducted interviews with key stakeholders as advance work for convening collaborative of key service providers working on Third Street
- Finalized grant with MOED
- Helped fund and recruit AmeriCorps member for BBRC whose job is partially devoted working with BMA on these activities
- Conducted meetings with key City officials working in Bayview
- Solidified Collaborative, whose members include Bayview Business Resource Center, Bayview Merchants Association, San Francisco Housing Development Corporation, and the Bayview Hunters Point PAC

- Compiled and began to analyze ESRI data (as latest market research was from early 2003)

3. ENCORE Grant ($40,000) – The department allocated $40,000 to ENCoRe to hire a full-time staff person to coordinate implementation of the Excelsior community action plan, conduct ongoing outreach to merchants and residents, and act as the central liaison with City departments. Below is a list of recent accomplishments:

Special Events & Promotion of the Excelsior

- Produced the 2nd Excelsior Festival, which raised $13,750 in sponsorships from local businesses and attracted over 5,000 festival goers (first festival was October 2003 and attracted 4,000 people and $10,000 in sponsorships)
- Produced 2nd Safe R Treat Halloween night out event, attracted kids and families to Mission Street, got merchants involved
- Organized a storefront clean up day over the summer with local youth

Beautification

- Provided power-washing and sweeping of Mission Street for a year through November, 2004 with grant from City and a local bank
- Raised over $26,000 for continuing to power-wash Mission Street from local merchants (received check last week for $10,000 from Wells Fargo)
- Commissioned and installed movable mural panels in the vacant Woolworth space (Rite Aid has since asked that they be removed).
- Partnered with DPW to maintain area cleanliness and paint over graffiti regularly
- Decorated Mission Street for the holidays (2nd time). Distributed free holiday lights to most businesses through a partnership with Department of the Environment

Marketing and business attraction

- Helped secure $500,000 from MOCD for renovation of the Woolworth building for a neighborhood multi-purpose center (Note: Funds have not been used because Rite Aid is looking to lease the space to a commercial tenant. Additional information on the Woolworth building below.)
- Produced the 2nd Excelsior Business directory featuring 5 local businesses.
- 12 new businesses opened their doors in the Excelsior and 63.5 full-time jobs were created on Mission Street in 2004

Merchant Involvement

- Re-established the Excelsior Merchant's Association and established block captains that organize and outreach to other merchants
- Began a monthly merchant newsletter featuring local businesses and ENCoRe activities
- Business directories are being displayed and distributed at five locations along Mission St. (Curves, Citibank, Café Mama, Movie Magic, and Joe's Cable Car)

Item 6 - File 05-0095

Departments: Public Utilities Commission (PUC)
Division of Real Estate (DRE)
City Planning Department

Item: Resolution authorizing the sale of City-owned real property located at 849 Cesar Chavez Street on the southeast corner of Illinois and Cesar Chavez Streets, extending southeast to Michigan Street in San Francisco (Lot 5 in Assessor's Block 4357) currently under the jurisdiction of the PUC to Gaehwiler 2000 Trust and Mr. Martin Gaehwiler, Jr.; adopting findings under the California Environmental Quality Act; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.; and authorizing other actions in furtherance of this resolution.

Description: The proposed resolution would authorize the Director of Property to sell, for $290,000, an 8,862 square foot PUC-owned parcel located at 849 Cesar Chavez Street on the southeast corner of Illinois and Cesar Chavez Streets, extending southeast to Michigan Street in San Francisco (Lot 5 in Assessor's Block 4357). Attachment I, provided by Mr. Ken Chopping of DRE, is a map showing the subject City-owned property.

The subject City-owned property consists of an unimproved former railroad right-of-way crossing diagonally across the northern half of Block 4357 from the corner of Illinois Street and Army Street to Michigan Street and splits the block into three lots. The property is a former railroad right-of-way parcel deeded to the City by the Union Pacific Railroad Company. The grant deed was recorded on June 30, 1988, and the subject property is under the jurisdiction of the PUC's Clean Water Enterprise.

The proposed buyers of the subject property, which was declared surplus property by the PUC in 1999, are Gaehwiler 2000 Trust and Mr. Martin Gaehwiler, Jr. The Gaehwiler 2000 Trust is the owner of the adjacent Lot 6 in Assessor's Block 4357, a parcel which includes a 13,000

square foot industrial building. Mr. Gaehwiler holds an access and parking easement on a 1,534 square foot portion of the subject property, granted from the Union Pacific Railroad Company.

A paved portion of the subject property, consisting of 1,534 square feet, is used by Mr. Martin Gaehwiler for vehicle access and parking. According to Mr. Gary Dowd of the PUC, the PUC does not charge any rent to Mr. Gaehwiler for these uses because Mr. Gaehwiler holds an access and parking easement on this portion of the subject parcel, as noted above. The remainder of the property, consisting of 7,328 square feet, is vacant and unused.

Approval of the proposed resolution would authorize the Director of Property to execute documents in furtherance of the sale of the subject property on behalf of the Public Utilities Commission.

According to Mr. Chopping, DRE does not know for what purpose Mr. Gaehwiler, the proposed buyer, will use the subject City-owned property.

Location: 849 Cesar Chavez Street, on the southeast corner of Illinois and Cesar Chavez Streets, extending southeast to Michigan Street in San Francisco (Lot 5 in Assessor's Block 4357)

Seller: City and County of San Francisco on behalf of the PUC

Buyer: Gaehwiler 2000 Trust, by Mr. Martin Gaehwiler, Sr., Trustee, and Mr. Martin Gaehwiler, Jr.

Sale Price: $290,000. According to Mr. Chopping, the buyer has agreed to pay the Real Property Transfer Tax applicable to the sale, escrow fees and recording charges, and any other costs of the escrow for the sale.

Comments: 1. According to Mr. Dowd, after conferring with managers at the Water Pollution Control Department, he requested that the PUC declare the subject property to be surplus (See Comment No. 2) because there are no existing PUC facilities on the parcel and no future need for the property. Mr. Dowd advises that the property was

originally purchased by the PUC from Union Pacific Railroad Company in 1988 as part of a larger purchase to be used for the construction of one of Clean Water Enterprise's large transport/storage sewer structures[1] at a cost of approximately $143,550, or approximately $15.95 per square foot.[2] According to Mr. Dowd, the subject property was used for staging during construction of the transport/storage sewer structure, but the structure itself was not actually placed in the parcel, and the parcel was not required for any other project use.

2. On April 13, 1999, the Public Utilities Commission approved Resolution 99-0086, declaring the subject property to be surplus to their present and future needs. In response to a Budget Analyst question as to why it has taken nearly six years to sell the property since it was declared surplus on April 13, 1999, Mr. Dowd explained that there were delays due to postponements from the Mayor's Office, heavy DRE workloads, and lengthy negotiations with the proposed buyer.

3. According to Mr. Chopping, the subject property was appraised on October 23, 2003 by Martorana-Bohegian & Company, a firm retained by DRE. Martorana-Bohegian & Company appraised the subject property at $175,000 as a separate parcel if sold at public auction and $190,000 if sold on a sole source basis to Mr. Gaehwiler. DRE did not concur with this appraisal value of $190,000 if sold directly to Mr. Gaehwiler, representing $21.44 per square foot for the 8,862 square foot parcel. Mr. Chopping advises that DRE disagreed with the $21.44 per square foot valuation because the appraisal studied sales of

[1] According to Mr. Tom Franza of the PUC, the transport/storage sewer structures convey wastewater to the PUC's wastewater treatment plants. In dry weather, they act like normal sewers. In wet weather, when incoming flow rates exceed treatment plant capacity, they act as storage basins and hold the wastewater for treatment once the rain subsides.

[2] According to Mr. Chopping, the Board of Supervisors approved Resolution 436-88 that authorized the purchase of multiple sections of former railroad right-of-way property along Army Street (now Cesar Chavez Street). The total purchase price was $5,900,000 for 14 parcels totaling 367,347 square feet and one underground easement totaling 5,000 square feet. Mr. Chopping advises that the value of an underground easement is generally discounted by 50 percent. Therefore, the value per square foot of the original purchase can be estimated by dividing the purchase price of $5,900,000 by the 369,847 total square feet (367,347 square feet for the fourteen parcels plus 2,500 square feet for the underground easement), or $15.95 per square foot. The subject parcel was listed as approximately 9,000 square feet, and therefore the purchase price for the subject property was approximately $143,550.

comparable industrial land, and found no sales for less than $48 per square foot. Attachment II, provided by Mr. Chopping, is a summary memo explaining DRE's rationale for disagreement with the appraisal by Martorana-Bohegian & Company. In the opinion of DRE, according to Attachment II, Mr. Gaehwiler, as an owner of adjacent property, could be expected to pay a premium for the subject property, although a downward adjustment is justified because the property has a long narrow shape and a portion of the property is encumbered with an easement. The Director of Property has determined that the proposed $290,000 price to be paid by the buyer, or approximately $32.72 per square foot, represents fair market value. As noted above, the buyer has agreed to pay the Real Property Transfer Tax applicable to the sale, escrow fees and recording charges, and any other costs of the escrow for the sale.

4. According to Mr. Steve Legnitto, Director of Property, the DRE has not recommended that the subject property be sold to the highest bidder through competitive bidding or by public auction. Mr. Legnitto explains that since the subject property is almost entirely surrounded by two other parcels, the appraised value is "believed" to be higher if the subject property is sold directly to the owner of an adjacent property on a sole source basis, rather than to attempt to sell the property through competitive bidding or by public auction to the highest bidder. Mr. Legnitto advises that the DRE notified the owner of Lot 4 in Assessor's Block 4357 as to the potential sale of the subject property. Lot 4 is the only other property adjacent to the subject property, other than Lot 6, which is the property owned by Mr. Gaehwiler, the proposed buyer. Such notification was by a letter of March of 2000 to inform the owner of Lot 4 of the City's intention to sell the subject property and to inquire if the owner had any interest in acquiring the parcel. On November 14, 2000, the owner of Lot 4 informed the PUC by letter that it had no interest in acquiring the subject property. On November 1, 2004, DRE sent a letter to owners of all properties within 300 feet of the subject property, including the owner of Lot 4. Mr. Legnitto advises that no responses to this second letter were received. Mr. Legnitto advises that there is no City policy requiring

when a City-owned property must be sold through competitive bidding or by public auction to the highest bidder. Such a decision is based on a recommendation by the Director of Property, subject to approval by the Board of Supervisors.

5. The subject property is within an M-2 Heavy Industrial Zoning District and 80-E Height and Bulk District. According to Mr. Larry Badiner of the City Planning Department, future development of the property may be suitable for residential or industrial use, which is the predominate type of use within the South Bayshore District.

6. On October 28, 2003, the City Planning Department found that the proposed sale of the subject property is (a) consistent with the City's General Plan and the Eight Priority Policies under Planning Code Section 101.1, and (b) categorically exempt from environmental review under the California Environmental Quality Act because it has no potential for causing a significant effect on the environment.

7. On September 14, 2004, the Public Utilities Commission approved a resolution authorizing the sale of the subject City-owned property.

8. According to Mr. Carlos Jacobo of the PUC, the $290,000 to be realized from the subject proposed sale of property will accrue to the Clean Water Unappropriated Fund Balance.

9. As previously noted, Mr. Legnitto advised that there is no City policy requiring when a City-owned property must be sold through competitive bidding or by public auction to the highest bidder. Such a decision is based on a recommendation by the Director of Property, subject to approval by the Board of Supervisors.

Administrative Code Section 23.3 - the Conveyance of Real Property, states as follows:

> *The Board of Supervisors may authorize* [a Conveyance of Property] *by resolution without advertisement, public auction, or Competitive*

> *Bidding Process if it determines that an auction or Competitive Bidding Process is impractical or impossible, including, for example only and not by way of limitation, when the Real Property is not capable of independent development, will be exchanged for other Real Property, or when the Board determines that a negotiated direct Conveyance of the Real Property will further a proper public purpose.*

In fact, Mr. Legnitto has advised the Budget Analyst that the subject property "is capable of independent development, although it is unlikely since this would not be an efficient or highest and best use for the land."

In the professional judgement of the Budget Analyst, the explanation provided by the Director of Property in Comment No. 4 is not a convincing justification that meets the requirements of Administrative Code Section 23.3, as stated above.

As previously noted, Mr. Legnitto stated that the appraised value of the subject property is "believed" to be higher if the subject property is sold to the owner of the adjacent property. However, only a competitive process would confirm that such a belief is correct.

Therefore, if the subject City-owned property is sold directly to Gaehwiler on a sole source basis, without conducting a competitive bidding process or a public auction where the property would be sold to the highest bidder, under Section 23.3 of the Administrative Code, the Board of Supervisors must now determine that a negotiated direct Conveyance of the Real Property will further a proper public purpose. Therefore, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors since achieving the public purpose of the proposed property sale, which is to obtain the maximum amount of revenue, is uncertain.

10. In response to the Budget Analyst's comments, Mr. Legnitto submitted a memorandum (Attachment III). In the memorandum, Mr. Legnitto states, "In our

professional opinion, and as a practical matter, there is no other realistic potential buyer for this property at an amount equal to or greater than the current agreement sale amount of $290,000. The City's independent appraisal only indicated a value as a stand alone parcel of $175,000, $115,000 less than what Martin Gaehwiler Jr. has agreed to pay. The negotiations with Mr. Gaehwiler were difficult and lengthy. In the event the City held an auction, Gaehwiler would be the only bidder at $290,000; should he choose not to bid, the city could be forced to conclude the auction without a sale. The minimum bid at a future auction would be less." Mr. Legnitto further states that "...we strongly recommend approval of a direct sale."

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Daly
Supervisor Elsbernd
President Peskin
Supervisor Alioto-Pier
Supervisor Dufty
Supervisor Ma
Supervisor Maxwell
Supervisor McGoldrick
Supervisor Mirkarimi
Supervisor Sandoval
Clerk of the Board
Controller
Erin McGrath
Ted Lakey
Cheryl Adams

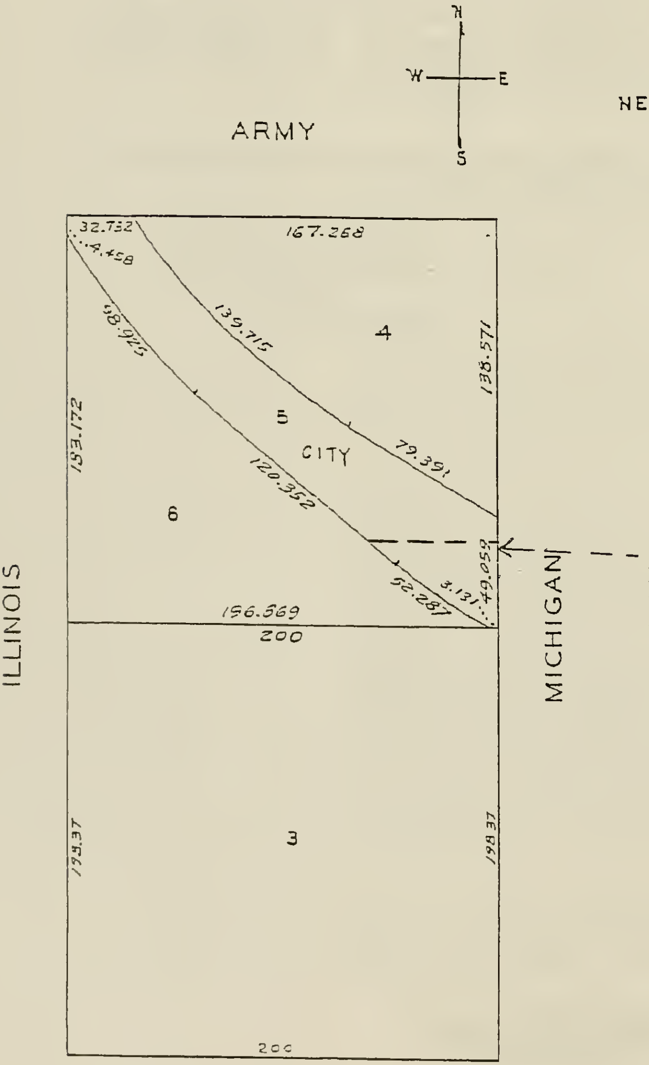
EXHIBIT A

DESCRIPTION OF PROPERTY

No:	Block/Lot	Location	Project Area (s.f.) *
	4357/5	Illinois Street to Michigan Street	Not determined

4357

NEW POTRERO BLK 435



Access and Parking Easement, Non-Exclusive, Granted to Lot 6. Area calculated to be 1,534 sq ft

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by: Ken Chopping DRE

Appraisal Oct. 23, 2003 by Martorana-Bohegian & Co. for Lot 5 Block 4357

Appraisal Value of Lot 5: $175,000 as separate parcel
$190,000 for sale to owner of Lot 6

Highest & Best Use of Lot 5: As separate parcel: small industrial building or storage/parking lot
As addition to Lot 6: small industrial building or vacant yard.

Valuation:

Direct Sales Approach-Land:
7 sales of industrial land were used as comparable sales. Those ranged from $48 to $133 per sq ft and 4 ranged from $48 to $75.66. The appraiser adjusted those and derived a value of $50 per sq ft. Then that was discounted to $20 per sq ft.

Direct Sales Approach-Buildings:
The appraiser reviewed sales of properties that had extra, vacant land. Value was $1,650,000 for Lot 6 property (Gaehwiler)

Income Approach:
The appraiser reviewed buildings as investments and determined that Lot 6 property had a value of $1,660,000.
$1,650,000 was given as value of Lot 4

Combined Value of Lot 4 and Lot 5:
The appraiser determined that the value of the Gaehwiler property would be $1,840,000 with the addition of Lot 5.

Summary: The appraiser deducted the first value of $1,650,000 from $1,840,000 and gave a value of $190,000 to Lot 5 for addition to Lot 6. That represents a value of $21.43 per sq ft for Lot 5.

Real Estate did not agree with the appraisal value of $190,000 for sale to Gaehwiler as no sales were found below $48 per sq ft for comparable industrial land (excluding sale #7 which was not a true market sale of usable land). Sale L-4 in appraisal was at $75.56 per sq ft and appraiser adjusted it down as he believed that buyer paid a premium as he owned the adjacent property. A downward adjustment is justified but, in the opinion of Real Estate, Gaehwiler, as an owner of adjacent property, can likewise be expected to pay a premium for Lot 5. Some downward adjustment from area land value ($50 per sq ft) is justified for the long narrow shape of Lot 5 and the fact that a portion is encumbered with an easement. But it is usable for parking and storage and has value to Lot 6.

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City and County of San Francisco

Real Estate Division
Administrative Services Department

Steve Legnitto
Director

MEMORANDUM

Via E-Mail

DATE: February 10, 2005

TO: **Harvey Rose**
Budget Analyst

FROM: **Steve Legnitto**
Director

SUBJECT: **Board of Supervisor's File 05-0095, Public Utilities Direct Sale Of Property To Martin Gaehwiler Jr.**

It is the responsibility of the Real Estate Department to advise the Mayor, Board of Supervisors and other City Departments regarding real estate, and possible real estate transactions. In an effort to maximize the value that the City receives for this particular property, our recommendation will remain that this property should be sold directly to Mr. Martin Gaehwiler Jr. directly, rather than proceeding with a public auction sale.

In our professional opinion, and as a practical matter, there is no other realistic potential buyer for this property at an amount equal to or greater than the current agreement sale amount of $290.000. The City' independent appraisal only indicated a value as a stand alone parcel of $175,000. $115,000 less than what Martin Gaehwiler Jr. has agreed to pay. The negotiations with Mr. Gaehwiler were difficult and lengthy. In the event the City held an auction, Gaehwiler would be the only bidder at $290,000; should he chose not to bid; the city could be forced to conclude the auction without a sale. The minimum bid at a future auction would be less.

We agree with the Budget Analyst that this decision is a policy matter for the Board of Supervisors, and again, we strongly recommend approval of a direct sale.

(415) 554-9850
FAX: (415) 552-9216
Office of the Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

City and County of San Francisco
Meeting Agenda
Budget and Finance Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Members: Tom Ammiano, Chris Daly, Sean Elsbernd

Clerk: Gail Johnson

Thursday, February 10, 2005 **1:00 PM** **City Hall, Room 263**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. 041732 **[Settlement of Grievance - United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, Local 38]**

Resolution approving the settlement of the grievance (ERD No. 40-03-1142) filed by United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, Local 38 ("Union") on behalf of Grievants, as identified in Exhibit A attached hereto, against the City and County of San Francisco for $109,270.76. Other material term of said settlement is that Grievants and Union shall release all claims relating to the aforementioned grievance (ERD No 40-03-1142). (City Attorney)

12/22/04, RECEIVED AND ASSIGNED to Finance and Audits Committee

1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure effective 2/7/05.

2. **050045** **[Sale of City Property]**

Ordinance ordering the sale at public auction of City-owned property located at 1648 Pacific Avenue and 2350 19th Avenue, adopting findings pursuant to the California Environmental Quality Act; adopting findings that the sale is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and authorizing other actions in furtherance of this ordinance. (Real Estate Department)

1/7/05, RECEIVED AND ASSIGNED to Finance and Audits Committee

1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure effective 2/7/05.

3. **050081** **[Public Auction]**

Resolution authorizing Tax Collector to sell at public auction certain parcels of tax-defaulted real property.

1/10/05, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure effective 2/7/05.

4. **050082** **[Exchange of real property within the Japan Center Garage]**

Resolution authorizing the exchange of certain City-owned real property generally known as a portion of Lot 35, Assessor's Block 700 for certain property owned by Dae Woong Kim, et al generally known as a portion of Lot 34, Assessor's Block 700; adopting findings pursuant to the California Environmental Quality Act; adopting findings that the exchange is consistent with the City's general plan and eight priority policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents and take certain actions in furtherance of this resolution. (Real Estate Department)

1/10/05, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/31/05, TRANSFERRED to Budget and Finance Committee New committee structure effective 2/7/05.

5. **050097** **[Extending Provisional Appointments]**

Resolution approving extension to June 30, 2005 of provisional appointments of employees in classifications H-30 Captain (Fire Department), 0922 Manager I, 0923 Manager II, 0931 Manager III, 0932 Manager IV, 0933 Manager V, 0941 Manager VI, 0943 Manager VIII, 1952 Purchaser, 5212 Principal Engineer, 7328 Operating Engineer, Universal, and 8216 Senior Parking Control Officer. (Human Resources Department)

1/19/05, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/31/05, TRANSFERRED to Budget and Finance Committee New committee structure effective 2/7/05.

6. **050197** **[Contract funds to evaluate the impact of a resource center for drug users, Year 2]**
Supervisor Ammiano

Resolution authorizing the San Francisco Department of Public Health, Community Behavioral Health Services (SFDPH, CBHS), to enter retroactively into Year 2 of an agreement with the University of California San Francisco (USCSF), the primary contractor, and expend funds in the amount of $11,836 to provide evaluation services; for the period of July 1, 2004 to June 30, 2005.

2/1/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. Sponsor requests this item be scheduled for consideration at the February 10, 2005 meeting

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day Rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 *必須在會議前最少四十八小時提出要求*
請電 (415) 554-7701

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Dr. Carlton B. Goodlett Place and Grove Street.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Adele Destro by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at sotf@sfgov.org

Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Destro or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements

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BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Chris Daly, Sean Elsbernd

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Thursday, February 24, 2005 | **1:00 PM** | **City Hall, Legislative Chamber, Room 250**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

10 08
24/05

AGENDA CHANGES

REGULAR AGENDA

1. **050133** **[Defense Costs of Residential Hotel Ordinance]**

Supervisor Peskin

Ordinance amending Section 41.13 of the San Francisco Administrative Code, the Residential Hotel Unit Conversion and Demolition Ordinance, to clarify that funds in the Residential Hotel Preservation Fund may be expended both to create replacement housing and to administer the Ordinance, including defending it against legal challenge.

1/25/05, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure effective 2/7/05.

2. 050060 **[Clean Air Plan for Muni: Zero Emissions 2020]**

Supervisor Ammiano

Resolution supporting the Clean Air Plan for Muni entitled "Zero Emissions 2020" released jointly by the San Francisco Department of the Environment and the Municipal Transportation Agency detailing specific timing for the adoption of hybrid electric buses, and requiring that 100% of the interim diesel fleet must be equipped with clean air devices to minimize particulate matter (PM) and NOx (oxides of nitrogen) emissions.

(Fiscal impact.)

1/11/05, RECEIVED AND ASSIGNED to Land Use Committee.

2/4/05, TRANSFERRED to Budget and Finance Committee. Transferred at the request of Supervisors Ammiano and approved by President Peskin.

3. 050117 **[Re-appropriate funding from Earthquake Safety Bond Phases 1 & 2 proceeds; re-appropriate funding from the Fire Bond proceeds and appropriate interest.]**

Mayor

Ordinance re-appropriating $5,769,221 from the Earthquake Safety Bond Phases 1 & 2 proceeds to fund $2,724,875 on San Bruno Jail construction, $2,746,336 on San Francisco Juvenile Hall Guidance Center Project construction, and $298,010 for 4th Street Bridge construction for fiscal year 2004-05. Additionally, to re-appropriate $487,610 from the sale of Fire Bond proceeds and to appropriate $1,993,370 from Fire Bond interest earnings to fund construction expenses for Fire Station 2 for the Department of Public Works for fiscal year 2004-2005.

(Fiscal impact.)

1/25/05, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure effective 2/7/05.

4. 041750 **[Types of federal funding resources available to the City and County for childhood nutrition]**

Supervisor Maxwell

Hearing to understand what types of federal funding resources are available to the City and County for childhood nutrition. In particular, (1) Is the City maximizing its efforts to aggressively pursue all the federal funding streams? (2) How many of the funding resources does the City currently receive? (3) Is the City leveraging everything it can to provide adequate nutrition for children? (4) What is preventing us from maximizing all the resources out there? (5) What are the barriers?

12/14/04, RECEIVED AND ASSIGNED to Finance and Audits Committee.

12/17/04, REFERRED TO DEPARTMENT. Referred to Youth Commission for comment and recommendation.

1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure effective 2/7/05.

5. 050221 **[Controller's Six-month Budget Status Report]**

Supervisor Ammiano

Hearing on the Controller's six-month budget status report.

2/8/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

SPECIAL ORDER - 2:00 PM

6. **050190** **[Financial Status of Wages Plus and Childcare for Foster Parents Program for Fiscal Year 2004-05]**

Supervisor Daly

Hearing on the Financial Status of Wages Plus and Childcare for Foster Parents Program for Fiscal Year 2004-05.

2/1/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

2/16/05, REFERRED TO DEPARTMENT. Referred to Youth Commission for comment and recommendation.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day Rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Dr. Carlton B. Goodlett Place and Grove Street.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Adele Destro by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at sotf@sfgov.org
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SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

February 24, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: February 24, 2005 Budget and Finance Committee Meeting

Item 1 - File 05-0133

Note: The City Attorney will be submitting an amendment of the whole for this proposed ordinance. The Budget Analyst has prepared this report based on the amendment of the whole.

Departments: Department of Building Inspection (DBI)
Real Estate Division (RED)
Mayor's Office of Housing (MOH)

Item: Ordinance amending Section 41.13 of the San Francisco Administrative Code (the Residential Hotel Unit Conversion and Demolition Ordinance) to clarify that monies held in the Residential Hotel Preservation Fund may be expended, subject to appropriation approval by the Board of Supervisors, both to create replacement housing and to defend the Ordinance against a legal challenge.

Description: City Administrative Code Section 41.13 of the Residential Hotel Unit Conversion and Demolition Ordinance, initially adopted by the Board of Supervisors in April of 1990 and amended in July

of 2001, creates the Residential Hotel Preservation Fund. The authorized uses of this Fund are not currently defined in the Administrative Code.

This proposed ordinance would amend the Administrative Code for the purpose of defining the types of authorized expenditures which can be made from the Residential Hotel Preservation Fund. Under the proposed ordinance, authorized expenditures from this Fund would include a) expenditures for the creation of new affordable rental housing to replace affordable housing units lost as a result of either the conversion of residential hotel housing units to tourist hotel units or the demolition of residential hotel units and b) expenditures for the defense of the Residential Hotel Unit Conversion and Demolition Ordinance against legal challenges, including any legal costs and attorney's fees incurred in such defense.

According to Ms. Rosemary Bosque of the Department of Building Inspection (DBI), currently the costs for legal defense of the Residential Hotel Unit Conversion and Demolition Ordinance are paid from DBI's Building Inspection Fund, including the services of the City Attorney. The proposed ordinance would provide that such legal defense costs of the Residential Hotel Unit Conversion and Demolition Ordinance would be paid from the Residential Hotel Preservation Fund.

Ms. Judy Boyajian of the City Attorney's Office advises that City Administrative Code Section 41.13 of the Residential Hotel Unit Conversion and Demolition Ordinance requires that residential hotel owners or operators seeking to a) convert residential hotel units to tourist hotel units or b) demolish residential hotel units must either 1) provide one-for-one replacement of such residential hotel units or 2) pay the City or a nonprofit organization an amount equal to 80 percent of the cost of new construction of an equal number of comparable residential hotel units plus site acquisition costs (land). In the event that the

nonprofit organization is unable to complete construction of replacement housing, the nonprofit organization must pay the balance of any unexpended monies received from the residential hotel owner or operator to the City. According to Ms. Boyajian, all such payments made to the City would accrue to the Residential Hotel Preservation Fund.

Administrative Code Section 41.13(a)(4) states that the Real Estate Division (RED) of the Administrative Services Department shall determine the amount (based on 80 percent of the cost of new construction of an equal number of comparable residential hotel units plus site acquisition costs) to be paid, by residential hotel owners or operators seeking to convert residential hotel units to tourist hotel units. Such RED determination is based on obtaining two independent appraisals of the cost for new construction of the number of units to be converted and the related site acquisition costs.

Ms. Boyajian advises that Administrative Code Section 41.21 currently requires that all expenditures made from the Residential Hotel Preservation Fund shall be reported in an annual residential hotel status report by the Department of Building Inspection (DBI) to the Board of Supervisors. Ms. Diane Lim of DBI advises that DBI has not charged any expenditures against the Residential Hotel Preservation Fund since the Fund was created.

Comments:

1. According to Mr. Todd Rydstrom of the Controller's Office, the Residential Hotel Preservation Fund currently has a balance of $1,187,684 available for appropriation as of February 2, 2005.[1]

2. Ms. Martie Moore of the City Attorney's Office has provided the following cost data for the expenditures incurred for the legal defense of the Residential Hotel Unit Conversion and Demolition

[1] Mr. Rydstrom further advises that the actual cash balance of the Residential Hotel Preservation Fund as of February 2, 2005, is $2,721,210. According to Mr. Rydstrom, $1,533,526 is on reserve, including a) $1,500,000 that was placed on reserve in the FY 2003-2004 Budget for appropriation to the Department of Human Services ($1,200,000) and the Department of Public Health ($300,000), for the purpose of providing affordable rental housing, and b) an additional $33,526 that has been carried over from a reserve made on the Fund in a budget prior to FY 2000-2001.

Ordinance for the past three fiscal years and for the first six months of Fiscal Year 2004-2005:

Legal Defense Costs of the Residential Hotel Unit Conversion and Demolition Ordinance			
FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005 (through 12/31/04)
$58,403	$28,050	$52,257	$58,306

3. The attachment to this report, provided by Ms. Marissa Moret of the City Attorney's Office, states that there is currently a legal challenge to the Residential Hotel Unit Conversion and Demolition Ordinance by San Remo Hotel LP. This legal challenge will be heard by the United States Supreme Court. Ms. Moret advises that the name of the case is *San Remo Hotel LP vs. City and County of San Francisco, et al,* (Case No. 04-340) and that the City and County of San Francisco's brief on the merits is due on February 28, 2005, and oral argument before the United States Supreme Court is scheduled for March 28 or 29, 2005.

As discussed in the attachment, Ms. Moret estimates that the cost of legal defense of the Residential Hotel Unit Conversion and Demolition Ordinance in the remaining six months of Fiscal Year 2004-2005 will total approximately $300,000, shown in the attachment, as compared to the $58,306 for the first six months of FY 2004-2005. According to Ms. Moret, the reason that such expenditures are increasing significantly in the last six months of FY 2004-2005 is due to the *San Remo* case that is currently before the United States Supreme Court.

In accordance with the proposed ordinance, such anticipated legal defense costs would be paid from the Residential Hotel Preservation Fund, resulting in an estimated decrease in the amount of monies available in the Residential Hotel Preservation Fund Account from $1,187,684 to $887,684 by June 30, 2005. Ms. Boyajian states that the cost of legal defense in future years of the Residential Hotel

Unit Conversion and Demolition Ordinance are dependent on the outcome of the current case before the United States Supreme Court and therefore cannot be determined at this time.

4. According to Ms. Lim, if the proposed ordinance is approved, which would authorize legal costs to defend the Residential Hotel Unit Conversion and Demolition Ordinance to be paid from the Residential Hotel Preservation Fund, the Department of Building Inspection (DBI) will submit a supplemental appropriation to the Board of Supervisors to fund the estimated $300,000 in City Attorney costs, using the Residential Hotel Preservation Fund as a funding source.

According to Mr. Ted Lakey of the City Attorney's Office, expenditures from the Residential Hotel Preservation Fund require appropriation approval by the Board of Supervisors.

5. Mr. Joel Lipski of the Mayor's Office of Housing (MOH) states that he was unaware of any deposits into this fund by DBI or expenditures charged against this Fund by MOH in the past ten years. Mr. Lipski further advises that monies in this Fund are needed and could be used by MOH for the purpose of building new affordable rental housing.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Attachment

CITY AND COUNTY OF SAN FRANCISCO

DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

MARISA MORET
MANAGING ATTORNEY

DIRECT DIAL: (415) 554-5957
E-MAIL: marisa.moret@sfgov.org

MEMORANDUM
PRIVILEGED & CONFIDENTIAL

TO:	Harvey Rose Budget Analyst
FROM:	Marisa Moret Managing Attorney
DATE:	15 February 2005
RE:	San Remo vs. City and County of San Francisco

At your request, I am providing the following information to you in connection with your review of proposed amendments to San Francisco's Residential Hotel Unit Conversion and Demolition Ordinance:

Name of the case against the City that is pending before the United States Supreme Court: San Remo Hotel LP vs. City and County of San Francisco, et al. (Case No. 04-340).

Status of Case: The United States Supreme Court granted review on December 10, 2004. The City prevailed below and our brief on the merits is due on February 28, 2005. Oral argument before the Supreme Court is scheduled for March 28 or 29, 2005.

Expected expenditures between now and 6/30/05:

$150,000 to Seth Waxman, the appellate specialist who will argue the City's case
$120,000 to Shute, Mihaly & Weinberger LLP for specialized appellate work
$ 30,000 to the City Attorney's Office for other defense-related work

Please feel free to contact us should you have additional questions.

Item 2 - File 05-0060

Department: Department of Environment (DOE)
Municipal Transportation Agency (MTA)
Municipal Railway (Muni)

Item: Resolution supporting the Clean Air Plan for the Municipal Railway under the Municipal Transportation Agency (MTA) entitled "Zero Emissions 2020" released jointly by the San Francisco Department of Environment and the MTA, detailing specific timing for the adoption of hybrid diesel-electric buses[1], and requiring that 100% of the MUNI's interim diesel fleet[2] consisting of 540 diesel buses[3] must be equipped with clean air devices to minimize particulate matter (PM) and NOx (oxides of nitrogen) emissions.

Description: Proposition I, "Replacement of Diesel Buses", which was passed by the San Francisco electorate in March of 2004, requires Muni to replace all of its 141[4] diesel buses purchased before 1991 with cleaner low-emissions vehicles. According to Proposition I, Muni shall remove from active or reserve service and shall no longer operate any diesel bus acquired before 1991 based on the following schedule: (1) All diesel buses that were purchased on or before December 31, 1988 shall be removed from active or reserve service on or before December 31, 2004 (See Comment); (2) All diesel buses that were purchased on or before December 31, 1989 shall be removed from active or reserve service on or before December 31, 2005; (3) All diesel buses that were purchased on or before December 31, 1990 shall be removed from active or reserve service on or before December 31, 2006.

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[1] A hybrid diesel electric bus uses a battery-powered electric system to assist a scaled-down diesel engine. The diesel engine charges the battery, as does energy captured from the constant braking of stop-and-go city driving.

[2] The interim diesel fleet refers to Muni's fleet of 540 diesel buses.

[3] According to Ms. Monique DeJong of the MTA, there are 495 diesel buses in Muni's regular fleet. in addition to 45 in Muni's reserve fleet, for a total of 540 diesel buses.

[4] According to Ms. DeJong, there are 96 diesel buses purchased before 1991 in Muni's regular fleet, in addition to all 45 of reserve fleet buses, for a total of 141 buses.

If cleaner low-emissions replacement buses[5] are not commercially available or unforeseen circumstances prevent Muni from procuring new buses on a timely basis, Proposition I states that Muni may seek a onetime extension of up to twelve months from the San Francisco County Transportation Authority (SFCTA) for any of the aforementioned deadlines. Proposition I stipulates that approval for such extensions shall require eight or more votes by the SFCTA Board of Commissioners.

The Clean Air Plan for the Muni provides a bus replacement strategy which complies with Proposition I. According to Ms. Monique DeJong of the MTA, an additional purpose of the Clean Air Plan is to achieve the lowest possible overall fleet emissions on its way to a 100% zero emission fleet by the year 2020. Attachment I to this report is a summary of the Muni Zero Emissions 2020 Clean Air Plan provided by Ms. DeJong. Ms. DeJong advises that if Muni follows the planned vehicle replacement cycle of replacing vehicles every 14 years, the entire fleet will be made up of zero emissions vehicles by the year 2020. Attachment III, provided by Ms. DeJong, shows the planned bus replacement schedule beginning in 2004 and ending in 2020.

Muni's Clean Air Plan strategy includes maximizing the use of Zero Emission Vehicles (ZEVs) by expanding Muni's light rail vehicle (LRV) system along major corridors and ensuring continued service on Muni's 16 existing LRV routes, replacing conventional diesel buses with electric drive buses, and updating the remaining diesel buses with state-of-the-art low-emission diesel standards. Muni is able to significantly reduce Particulate Matter (PM) by installing new low-emission engines on older buses and adding PM/NOx (Oxides of Nitrogen) reduction devices to all low-emission diesel buses.

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[5] Proposition I does not specify a particular type of bus for replacement of Muni's fleet. Replacement buses could include, but are not limited to, new diesel buses, hybrid diesel electric buses, battery electric buses, or fuel cell buses.

Under the Muni's Clean Air Plan, the following six projects are planned for the fiscal years (FY 2004-05, FY 2005-06, FY 2006-07):

- **Islais Creek Motor Coach Maintenance Facility:** Muni plans to construct a new operating and maintenance division to be constructed for new alternative-fuel vehicles.
- **Clean Air Device Retrofit**: Muni plans to install emissions reduction devices on all of the low-emission diesel buses currently in Muni's fleet.
- **40' Hybrid Bus Procurement**: Muni plans to purchase 56 40-foot hybrid diesel electric buses to replace 56 diesel buses.
- **30' Hybrid Bus Procurement:** Muni plans to purchase 40 30-foot hybrid diesel electric buses to replace 40 diesel buses.
- **Convert Reserve Fleet to Low Emissions Diesel Engines:** Muni is planning to purchase 45 used, recently repowered, less-polluting "clean" diesel buses from AC Transit to replace their reserve fleet.
- **Retrofit 60' Buses with Low Emissions Diesel Engines**: Muni plans to install new low-emission diesel engines on 24 1991 diesel buses.

Attachment II provided by Ms. DeJong contains a description, a budget and all funding sources for each of the six projects listed above. Attachment III shows a summary of project costs. As shown in Attachment III, the total cost for the six projects is $184,800,000. Federal ($88,700,000) and State ($500,000) grants would pay for $89,200,000, or 48.3% percent of the total cost of $184,800,000. $95,600,000 of local funds[6] would pay for the remaining 51.7% percent of the total cost of $184,800,000.

The Clean Air Plan also includes plans for eight future procurements beginning in 2010 and ending in 2020.

[6] An estimated $83,669,000 of the $95,600,000 in local funds are Proposition K one-half cent sales tax funds (See Fiscal Impact section on following page). However, local funds are also drawn from SFMRIC, (San Francisco Municipal Railway Improvement Corporation), LRV Lease-Leaseback, and the Transportation for Clean Air Fund (administered by the Bay Area Air Quality Management District).

Attachment III shows cost projections for those projects, totaling \$695,900,000 including \$159,900,000 from local funds[7].

By approving the proposed resolution, the Board of Supervisors would be supporting Muni's Clean Air Plan entitled "Zero Emissions 2020" released jointly by the San Francisco Department of Environment and the Municipal Transportation Agency detailing specific timing for the adoption of hybrid electric buses, and requiring that 100% of the interim Muni diesel fleet consisting of 540 diesel buses must be equipped with clean air devices to minimize Particulate Matter (PM) and NOx (oxides of nitrogen) emissions.

Fiscal Impact from Proposition K Sales Tax Funds:

In November of 2003, Proposition K, entitled "Sales Tax for Transportation", was approved by the voters and continued the one-half cent Sales Tax already in place, administered by the SFCTA. Proposition K replaced the existing transportation spending plan with a new, 30-year spending plan. The new spending plan includes upgrades to Muni's bus system, including new buses, transit stations and dedicated lanes as well as various other transportation projects. Since the passage of Proposition K, Muni has been working with SFCTA staff to develop lists of high-priority projects eligible to be financed from Proposition K funding. High priority projects were submitted by the MTA to SFCTA's Capital Project Survey in May of 2004. As noted on the previous page, Muni has identified a need for \$83,669,000 in Proposition K sales tax funds for the six projects listed above. All Proposition K funding requests will be subject to the approval of the SFCTA Board of Commissioners.

Comment:

Ms. DeJong notes that the Muni was unable to meet the December 31, 2004, Proposition I deadline requiring all diesel buses that were purchased on or before December 31, 1988, to be removed from active or reserve service but states that all of Muni's diesel buses that were acquired

[7] The majority of local funds are expected to come from Proposition K.

before 1991 will be replaced by 2007, subject to funding availability.

Recommendations: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

SF Environment

Zero Emissions 2020

The Clean Air Plan of the San Francisco Municipal Railway

Muni's Goal

Muni has set a course to be the first major transit agency in the world to operate a 100% zero emissions fleet by the year 2020. To achieve this unprecedented goal, Muni has chosen a strategy that capitalizes on its longstanding expertise in electric drive vehicles. For almost 70 years, Muni has continuously operated a network of zero emission cable cars, streetcars, electric trolley buses, and modern light rail vehicles. These electric vehicles not only make Muni the cleanest transit system in California today by CARB standards, they also position Muni to continue its leadership with an all-electric fleet by 2020.

Muni's 2020 zero emission fleet will be comprised of:

Electric Light Rail Vehicles
Electric Trolley Buses
Battery *Electric* Buses
Fuel Cell *Electric* Buses
Cable Cars, Muni's first *Electric* vehicle

Muni's Path to Zero Emissions

To achieve zero emissions by 2020, Muni will expand its electric fleet, replacing conventional diesel buses with the next generation of electric drive bus technologies. Hybrid electric buses and battery electric buses will be Muni's next new bus procurements. Fuel cell electric buses will begin appearing in Muni's fleet in 2016 (or earlier if available) and are anticipated to complete the shift to 100% zero emission vehicles by 2020.

Muni's Clean Air Plan

Muni has a three-part strategy to achieve the lowest possible overall fleet emissions on its way to a 100% zero emission fleet.

1) Maximize the Use of Zero Emission Vehicles (ZEVs)

Muni expansion of the light rail system along major corridors, including the Third Street Light Rail, is part of a long-term effort to shift an increasing number of daily trips to zero emission vehicles. Muni's recent procurement of 273 new electric trolley coaches ensures continued service on Muni's 16 existing electric routes. Muni's Electrification Study, published in December 2002, prioritizes existing non-electric routes for electrification with overhead wires.

2) Replace Conventional Diesel Buses with Electric Drive Buses

Hybrid electric buses use a small on-board engine to generate electricity for the electric motor. This requires less fuel and produces less emissions than conventional engine-driven buses. Battery electric buses with a 100-mile range are currently being developed for the American transit market. Muni will be the first transit property in the country to consider making significant use of this emerging technology in regular service. Both hybrid electric and battery electric buses will replace conventional diesel buses in Muni's next two bus procurements.

3) Update Remaining Diesel Buses to State-of-the-Art Low-emission Diesel Standards

Muni has reduced Particulate Matter (PM) emissions by 88% from 1997 to 2003. This reduction was achieved with an aggressive bus replacement program that removed 375 old diesel buses from the Muni fleet. By 2007, Muni will reduce PM by 98% from 1997 levels by installing new low-emission engines on older buses and adding PM/NOx reduction devices to all low-emission diesel buses. Lastly, Muni will seek local funding to update its reserve fleet to state-of-the-art low-emission diesel standards.

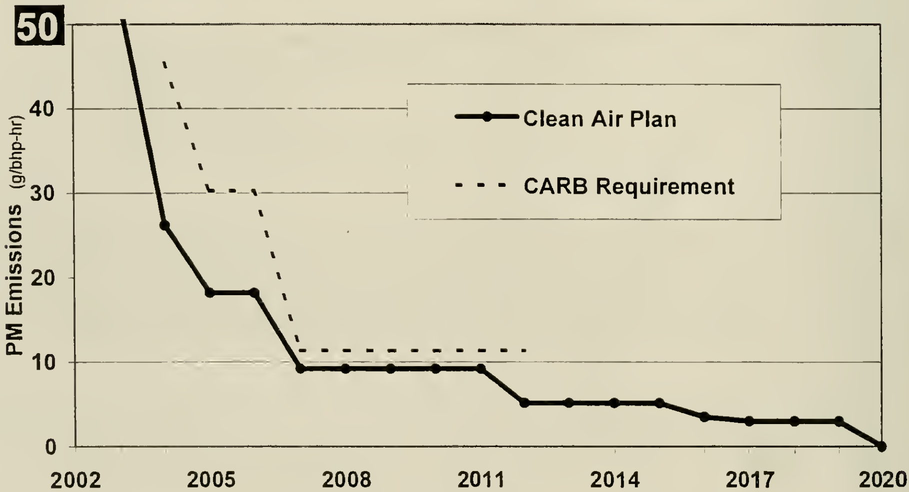
Muni Reduced PM emissions 88% from 1997 - 2003

Clean Air Plan: 1996 - 2020

Major Goals

2003	88% reduction in PM (Particulate Matter) since 1997
2004	PM/NOx reduction devices installed fleet wide
2007	98% reduction in PM since 1997
2012	62% of Muni's vehicles are ZEVs or Hybrids, including 52% of the bus fleet
2015	66% of Muni's vehicles are ZEVs or Hybrids, including 57% of the bus fleet
2020	100% of Muni's fleet are ZEVs

PM Emission Models for Muni Fleet from 2002 - 2012



Islais Creek Motor Coach Maintenance Facility

The facility will include parking for 165 of Muni's 40-ft motor coaches, three buildings with 16 service bays, and facilities for operations, maintenance, administration, and fuel and wash. This facility provides increased space for Muni to house its motor coaches and engage in full-service repair, including preventive and heavy repair, of vehicles. The facility is designed to house and maintain future fleet vehicles that use lighter than air fuels. The facility incorporates specific safety accommodations including non-spark electrical fixtures, gas detection devices, and custom ceiling design/and ventilation.

Clean Air Device Retrofit

Install particulate matter and NOx emissions reduction devices to further reduce emissions on all 375 of Muni's current fleet of modern low-emission diesel bus engines, plus on the 45 buses to be purchased from AC Transit (see below), for a total of 420 vehicles.

40' Hybrid Bus Procurement

Procure 56 40-foot hybrid electric buses by the end of 2006. These hybrid electric vehicles would replace 56 of Muni's most polluting diesel motor coaches. The new buses will replace diesel coaches that have been in service for over 24 years. Replacement of these older vehicles, that are well past their useful life and require significant maintenance, will improve Muni's ability to provide reliable service to its customers.

30' Hybrid Bus Procurement

Procure 40 30-foot hybrid electric buses by the end of 2006. These hybrid electric vehicles would replace 40 of Muni's most polluting diesel motor coaches. The new buses will replace diesel coaches that have been in service for over 24 years. Replacement of these older vehicles, that are well past their useful life and require significant maintenance, will improve Muni's ability to provide reliable service to its customers.

Convert Reserve Fleet to Low Emissions Diesel Engines

Purchase and modify 45 motor coaches from AC Transit. These vehicles have engines that are certified by the California Air Resources Board (CARB) to be fitted with emissions reduction devices, while older diesel engines cannot. The purchase of these vehicles will allow Muni to eliminate its oldest and most polluting diesel motor coaches that comprise the reserve fleet.

Retrofit 60' Buses with Low Emissions Diesel Engines

Repower 24 1991 60' articulated diesel buses to modern low-emission diesel standards. The repower will extend the useful life of these buses by seven years.

Project Funding Plan

As of: 28-Jan-05

Islais Creek Motor Coach Maintenance Facility (971400)

CPT 432

All $ Amounts in 000s

Fund Source	Grant	Through FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	10Yr Total	Total	% Total
Sect. 9-FR	CA-90-X223	$0											$0	$0	0.0%
Sect. 9-FR	CA-90-X422	$0											$0	$0	0.0%
Sect. 9-FR	CA-90-X743-02	$1,600											$0	$1,600	2.2%
Sect. 3-BAF	CA-03-0521	$1,241											$0	$1,241	1.7%
Sect. 3-BAF	CA-03-0521-01	$1,226											$0	$1,226	1.7%
Sect. 5309-BA	(CA-03-0711)	$0		$3,887									$3,887	$3,887	5.3%
Sect. 5309-BA	CA-03-0811.	$3,088											$0	$3,088	4.2%
Sect. 5309-BA	CA-03-0644	$4,769											$0	$4,769	6.5%
Sect. 5309-BA	CA-03-0680-01	$0	$3,883										$3,883	$3,883	5.3%
Sect. 5309-BA	Planned	$0			$4,000	$4,000							$8,000	$8,000	10.8%
St. STP	CA-90-X893	$3,958											$0	$3,958	5.4%
Subtotal Federal Funds		$15,882	$3,883	$3,887	$4,000	$4,000							$15,771	$31,653	42.9%
AB 664	87-1709-014	$0											$0	$0	0.0%
AB 664	90-2068-013	$0											$0	$0	0.0%
AB 664	98-3060-015	$400											$0	$400	0.5%
TFCA - PrgMa	01-02-076	$500											$0	$500	0.7%
TFCA - PrgMa	Removed	$0											$0	$0	0.0%
Prop. B	91-10-TA18c	$0											$0	$0	0.0%
Prop. K	Planned	$0		$16,000	$17,720								$33,720	$33,720	45.7%
LRV Leasebac	Removed	$0	$0										$0	$0	0.0%
SFMRIC	SFMRIC #28	$5,100											$0	$5,100	6.9%
SFMRIC	SFMRIC #48	$83											$0	$83	0.1%
SFMRIC	SFMRIC #54	$1,045											$0	$1,045	1.4%
TIDF	FY91/92	$1,240											$0	$1,240	1.7%
Local Other	PUBLIC HEALTH	$0											$0	$0	0.0%
Local Other	USX Settlement	$0		$30									$30	$30	0.0%
Subtotal Local Funds		$8,368	$0	$16,030	$17,720								$33,750	$42,117	57.1%
TOTAL CAPITAL FUNDS		$24,250	$3,883	$19,917	$21,720	$4,000							$49,520	$73,770	100.0%
TOTAL CAPITAL COST		$12,137	$33,310	$28,303									$61,613	$73,751	
CARRYOVER (fr. prev. FY)		$0	$12,112	($17,314)	($25,701)	($3,981)	$19	$19	$19	$19	$19	$19			
SURPLUS (SHORTFALL)		$12,112	($17,314)	($25,701)	($3,981)	$19	$19	$19	$19	$19	$19	$19		$19	

Project Funding Plan

Motor Coach Clean Air Device Retrofit (020300)

As of: 28-Jan-05

CPT 546

All $ Amounts in 000s

Fund Source	Grant	Through FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	10Yr Total	Total	% Total
Sect. 5307	CA-90-Y124	$2,903											$0	$2,903	31.5%
Sect. 5309-BA	CA-03-0611	$872											$0	$872	9.5%
Fed. CMAQ	(CA-90-Y348)	$0		$365									$365	$365	4.0%
Fed. CMAQ	CA-90-Y245	$0	$3,038										$3,038	$3,038	33.0%
Fed. Other	Planned	$0	($402)										($402)	($402)	-4.4%
Subtotal Federal Funds		$3,775	$2,636	$365									$3,001	$6,776	73.6%
St. Other	Carl Moyer	$0	$534										$534	$534	5.8%
St. Other	Removed	$0											$0	$0	0.0%
Subtotal State Funds		$0	$534										$534	$534	5.8%
AB 664	Res. #502-04	$0	$394										$394	$394	4.3%
TFCA - PrgMa	Removed	$0											$0	$0	0.0%
TFCA - PrgMa	TA Res #04-103	$0	$216										$216	$216	2.3%
Prop. K	Planned	$0		$535									$535	$535	5.8%
LRV Leasebac	FY2005	$0		$750									$750	$750	8.1%
Local Other	Removed	$0	$0										$0	$0	0.0%
Subtotal Local Funds		$0	$610	$1,285									$1,895	$1,895	20.6%
TOTAL CAPITAL FUNDS		$3,775	$3,780	$1,650									$5,430	$9,205	100.0%
TOTAL CAPITAL COST		$8,305	$900										$900	$9,205	
CARRYOVER (fr. prev. FY)		$0	($4,530)	($1,650)	$0	$0	$0	$0	$0	$0	$0	$0			
SURPLUS (SHORTFALL)		($4,530)	($1,650)	$0	$0	$0	$0	$0	$0	$0	$0	$0		$0	

Project Funding Plan

As of: 28-Jan-05

Motor Coach Replacement Program - 56 Hybrids 40-foot (050100)

CPT 554

All $ Amounts in 000s

Fund Source	Grant	Through FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	10Yr Total	Total	% Total
Sect. 5307	(CA-90-Y348)	$0		$20,525									$20,525	$20,525	39.8%
Sect. 5307	CA-90-Y245	$0	$1,581										$1,581	$1,581	3.1%
Sect. 5307	CA-90-Y245-01	$0	$100										$100	$100	0.2%
Sect. 5307	Planned	$0			$3,784								$3,784	$3,784	7.3%
Subtotal Federal Funds		$0	$1,681	$20,525	$3,784								$25,990	$25,990	50.4%
AB 664	Planned	$0			$946								$946	$946	1.8%
AB 664	Programmed	$0		$70									$70	$70	0.1%
AB 664	Removed	$0		$0									$0	$0	0.0%
AB 664	Res #502-04	$0	$420										$420	$420	0.8%
Prop. K	Planned	$0		$4,571	$12,509	$6,590							$23,670	$23,670	45.9%
Prop. K	Removed	$0	$0										$0	$0	0.0%
LRV Leasebac	FY2005	$0		$490									$490	$490	0.9%
LRV Leasebac	Planned	$0		$0									$0	$0	0.0%
Local Other	Removed	$0	$0										$0	$0	0.0%
Subtotal Local Funds		$0	$420	$5,131	$13,455	$6,590							$25,596	$25,596	49.6%
TOTAL CAPITAL FUNDS		$0	$2,101	$25,656	$17,239	$6,590							$51,586	$51,586	100.0%
TOTAL CAPITAL COST		$0	$51,586										$51,586	$51,586	
CARRYOVER (fr. prev. FY)		$0	$0	($49,485)	($23,829)	($6,590)	$0	$0	$0	$0	$0	$0			
SURPLUS (SHORTFALL)		$0	($49,485)	($23,829)	($6,590)	$0	$0	$0	$0	$0	$0	$0		$0	

Project Funding Plan

As of: 28-Jan-05

CPT

Motor Coach Replacement Program - 40 Alternative Fuel 30-foot (050200)

All $ Amounts in 000s

Fund Source	Grant	Through FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	10Yr Total	Total	% Total
Sect. 5307	(CA-90-Y348)	$0		$6,895									$6,895	$6,895	16.4%
Sect. 5307	Planned	$0			$10,706								$10,706	$10,706	25.5%
Fed. Other	(CA-26-7066)	$0	$497										$497	$497	1.2%
Subtotal Federal Funds		$0	$497	$6,895	$10,706								$18,098	$18,098	43.2%
AB 664	Planned	$0			$1,641								$1,641	$1,641	3.9%
Prop. K	Planned	$0		$1,724	$19,464	$992							$22,179	$22,179	52.9%
LRV Leasebac	Planned	$0		$0									$0	$0	0.0%
Subtotal Local Funds		$0		$1,724	$21,105	$992							$23,821	$23,821	56.8%
TOTAL CAPITAL FUNDS		$0	$497	$8,619	$31,811	$992							$41,919	$41,919	100.0%
TOTAL CAPITAL COST		$0	$41,919										$41,919	$41,919	
CARRYOVER (fr. prev. FY)		$0	$0	($41,422)	($32,803)	($992)	$0	$0	$0	$0	$0	$0			
SURPLUS (SHORTFALL)		$0	($41,422)	($32,803)	($992)	$0	$0	$0	$0	$0	$0	$0		$0	

Project Funding Plan

As of: 28-Jan-05

Motor Coach Purchase 45 AC Transit Gilligs (050300)

CPT

All $ Amounts in 000s

Fund Source	Grant	Through FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	10Yr Total	Total	% Total
Fed. CMAQ	(CA-90-Y348)	$0		$0									$0	$0	0.0%
Subtotal Federal Funds		$0		$0									$0	$0	0.0%
Prop. K	Planned	$0		$3,565									$3,565	$3,565	100.0%
Subtotal Local Funds		$0		$3,565									$3,565	$3,565	100.0%
TOTAL CAPITAL FUNDS		$0		$3,565									$3,565	$3,565	100.0%
TOTAL CAPITAL COST		$0	$3,481										$3,481	$3,481	
CARRYOVER (fr. prev. FY)		$0	$0	($3,481)	$84	$84	$84	$84	$84	$84	$84	$84			
SURPLUS (SHORTFALL)		$0	($3,481)	$84	$84	$84	$84	$84	$84	$84	$84	$84		$84	

Project Funding Plan

As of: 28-Jan-05

CPT

Motor Coach Rehabilitation - 24 Artics to Extend Life (032000)

All $ Amounts in 000s

Fund Source	Grant	Through FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	10Yr Total	Total	% Total
Sect. 5307	(CA-90-Y348)	$0		$3,174									$3,174	$3,174	37.8%
Sect. 5307	CA-90-Y245	$0	$1,750										$1,750	$1,750	20.8%
Sect. 5307	CA-90-Y245-01	$0	$1,375										$1,375	$1,375	16.4%
Subtotal Federal Funds		$0	$3,125	$3,174									$6,299	$6,299	75.0%
AB 664	Programmed	$0		$794									$794	$794	9.4%
AB 664	Res. #502-04	$0	$781										$781	$781	9.3%
TFCA - Reg	Planned	$0		$524									$524	$524	6.2%
Prop. K	Removed	$0	$0										$0	$0	0.0%
Subtotal Local Funds		$0	$781	$1,318									$2,099	$2,099	25.0%
TOTAL CAPITAL FUNDS		$0	$3,906	$4,492									$8,398	$8,398	100.0%
TOTAL CAPITAL COST		$0	$8,227										$8,227	$8,227	
CARRYOVER (fr. prev. FY)		$0	$0	($4,321)	$171	$171	$171	$171	$171	$171	$171	$171			
SURPLUS (SHORTFALL)		$0	($4,321)	$171	$171	$171	$171	$171	$171	$171	$171	$171		$171	

Islais Creek Maintenance Facility
COST SUMMARY

1	**Site Acquisition**		
	a. Original Granex Property Acquisition		$4,761,145
	b. PUC & Caltrans Property Acquisitions		2,645,000
		TOTAL	**$7,406,145**
2	**Detailed Design**		
	a. Project Management		$650,000
	b. Engineering Services		1,146,487
	c. DPW-BOA		363,000
	d. Construction Management		36,587
	e. Hazardous Materials Survey & Assessment		482,421
	f. Consultant Services		3,017,809
	g. City Attorney		40,000
	h. Art Enrichment		410,000
	i. Other Muni/DPT		68,031
	g. Other Direct Expenses		60,000
	h. Contingency		11,496
		TOTAL	**$6,285,831**
3	**Construction - Phase I**		
	a. Project Management*		$340,448
	b. Engineering Construction Support*		658,605
	c. Construction Management & Project Closeout*		1,670,559
	d. DTIS/DET		225,000
	e. Other City Services		62,500
	f. Consultant Services		600,000
	g. Construction - Phase I		26,014,359
	h. Haz Materials Remediation Testing		362,000
	i. Other Direct Expenses		182,500
	j. Contingency		1,311,724
		TOTAL	**$31,427,695**
	Construction - Phase II		
	a. Project Management*		$408,538
	b. Engineering Construction Support*		632,260
	c. Construction Management & Project Closeout*		2,311,381
	d. DPW-BOA Construction Support		19,100
	e. DTIS/DET		225,000
	f. Other City Services		62,500
	g. Consultant Services		600,000
	h. Construction - Phase II		22,917,513
	i. Other Direct Expenses		182,500
	j. Contingency		1,272,367
		TOTAL	**$28,631,160**
		TOTAL ESTIMATE	**$73,750,830**

* See next sheets for detail on Personnel Budget.

·ean Air Device Retrofit Project Budget

ITEM	TOTAL COST	DETAILED COST	DESCRIPTION
·ject start up cost		$100,000	Research, design details, specification preparation and review, advertise, bid and award.
·se I (25 coaches)	$656,244		
		$359,406	Cleair PM + Nox units (bid)
		$30,550	Tax (8.5%)
		$10,000	Misc. installation hardware
		$79,800	Installation costs @ 28 hours @ $114/hr
		$50,000	Fleet Engineering support during installation and 6 month evaluation
		$26,488	Contingency 5%
·se II (350 coaches)	$7,656,792		
		$5,031,684	Cleair PM + Nox units
		$539,000	Spare Parts
		$473,508	Tax (8.5%)
		$140,000	Misc. installation hardware
		$957,600	Installation costs @ 24 hours @ $114/hr
		$150,000	Fleet Engineering support during installation and 6 month evaluation
		$365,000	Contingency 5%
·se III (45 coaches)	$900,000		
		$644,625	Cleair PM + Nox units (bid)
		$54,793	Tax (8.5%)
		$15,000	Misc. installation hardware
		$143,640	Installation costs @ 28 hours @ $114/hr
		$25,000	Fleet Engineering support during installation and 6 month evaluation
		$16,942	Contingency 2%
·TAL FOR 420 UNITS	$9,213,036		

40' Hybrid Electric Vehicle Procurement

Major Line Item Budget (by Phase)

Detail Design (Specifications) Phase

Direct Costs	
Engineering	$1,039,108
Maintenance Support	$213,845
Operations Support	$230,399
Total for Design Phase	**1,483,352**

Procurement Phase

Direct Costs	
Vehicles (56 @ $550,000)	$30,800,000
Testing & Tools for Prototypes	100,000
Capital Spares	1,848,000
Training by Vendor	778,770
Operating, Maintenance and Parts Manuals	300,000
Diagnostic Test Equipment / Special Tools	600,000
8.5% Tax (Vehicles, Tools, Capital Spares, Manuals)	2,851,580
Design Changes / Contract Mods. / Contingency	3,846,143
Subtotal	**$41,124,493**
Support Costs	
Project Management / Engineering Services	$2,879,518
Other Cost (travel, printing, tools, equipment)	100,000
Muni Platform Services	1,414,384
Muni Maintenance Support	1,473,769
Other City Services	50,000
Other Muni Dept / Equipment	50,000
Consultant Support	2,000,000
Regulatory Compliance Support	285,000
Contingency	825,267
Subtotal	**$9,077,938**
Total for Procurement Phase	**$50,202,431**

Project Total	**$51,685,783**

Note: See next sheet, "FTE Budget," for Detail Design and Procurement budget details.

FTE Budget for Procurement of 30' Hybrid Vehicles

Detail Design (Specifications and Evaluation of Bid

	No. of FTEs	Total No. of Hours	Cost/ Hour	Fully Burdened Cost/Hour	Total Cost
roject Manager	1	1,120	$62	$228	$255,011
roject Engineer	1	1,120	56	207	231,598
ngineering Staff	2	2,240	42	154	345,713
dministration Support	1	480	37	137	65,912
uto Transit Shop Supv	1	800	44	161	128,982
uto Mech Assist Sup	1	640	36	133	84,863
ransit Manager	1	800	44	163	130,499
ransit Supervisor	1	800	34	125	99,900
					$1,342,478

Procurement: Training

	No. of FTEs	Total No. Training Hrs. Provided by Vendor	Cost/Hr Charged by Vendor	Total Cost
uto Service Workers (88.0 FTEs), Asst. Supv (4.0 FTEs)	92	320	$300	$96,000
Iechanic (114.0 FTEs), Asst. Supv (11.0 FTEs) Transit Shop Supv (6.0 FTEs)	131	1,048	300	314,400
Transit Operator Trainers	4	201	$300	60,405
				$470,805

Procurement: Engineering & Project Management

	No. of FTEs	Total No. of Hours	Cost/ Hour	Fully Burdened Cost/Hour	Total Cost
Engineering & Project Management					
Project Manager	1	3,040	$62	$228	692,174
Project Engineer	1	3,040	56	207	628,623
Engineering Staff	2	6,080	42	154	938,364
Administration Support	1	1,920	37	137	263,647
					$2,522,808
Maintenance Support					
Auto Transit Shop Supervisor	1	2,400	$44	$161	$386,946
Auto Mechanic Assist Supervisor	1	1,920	36	133	254,590
Automotive Mechanic	3	6,240	29	108	676,190
					$1,317,725
Operations Support					
Transit Manager	1	2,400	$44	$163	$391,497
Transit Supervisor	1	2,400	34	125	299,700
Transit Operator	3	6,240	25	94	587,590
					$1,278,787
				Total:	**$5,119,320**

Convert Reserve Fleet to Low Emissions Diesel Engines

FUNDING PLAN

Overall Project

Project/ Project Detail		Description	Amount
DPT0402 Index code :359335 Project CPT5571312 Sub-object: 001-00101	Muni Labor	Labor including Project Management, Engineering, test support, inspection and project control services for purchase and modification of the buses.	$ 1,250,000
DPT0404 Index code: 35CPT5571321 Project CPT5571321 Sub-object: 060-06029	AC Transit Contract	Purchase of the buses. (Automotive & Other Vehicles)	$ 1,125,000
DPT0404 Index code: 35CPT5571322 Project: CPT5571322 Sub-object: 060-06029	Sales Tax	Estimated at 8.5%, applies to materials.	$ 236,000
DPT0404 Index code: 35CPT5571342 Project: CPT5571342 Sub-object: 043-04331	Materials	Operator seats, spare parts, emissions reduction devices. (Vehicle Parts – Supplies)	$ 1.489,000
		TOTAL	$ 4,100,000

Cost Estimate for Minor Overhaul of New Flyer Articulated Diesel Coaches						
(Use Existing Cummins Spare Engines and Transmission to meet CARB Requirements)						
This will reduce the current emission levels of the buses from 0.1 to 0.01 grams/bhp-hr with PM Traps						
Activity		Estimated Cost		Comments		
1. Front Axle, Brakes and Suspension						
	Includes lining, air chamber, slack adjusters,					
	radius rods, bushings, bearings, cams, etc.					
	Materials	$2,400.00				
	Labor		@$31/hr & 28% Fringes			
	Machining and Preparation of Components	$634.88	16	man-hours		
	Parts Replacement	$634.88	16	man-hours		
2. Center and Rear Axles, Brakes and Suspension						
	Includes lining, air chamber, slack adjusters,					
	radius rods, bushing, bearings, cams, etc.					
	Materials	$7,200.00				
	Labor					
	Machining and Preparation of Components	$952.32	24	man-hours		
	Parts Replacement	$1,587.20	40	man-hours		
3. Steering System						
	Includes Steering Gearbox Assy, Transfer					
	Gearbox Assy, Steering Pump and Motor					
	Materials	$3,750.00				
	Labor for Replacement	$1,269.76	32	man-hours		
4. Air System						
	Includes overhaul of compressor and motor,					
	air dryers, valves, regulators, etc					
	Materials	$5,700.00				
	New Air Dryer System	$750.00				
	Labor	$2,222.08	56	man-hours		
5. Articulated Joints						
	Includes steering rods, cylinders, bushings,					
	switches, M20 x 250mm bolts, and accordion etc					
	Materials	$6,500.00				
	Labor	$3,174.40	80	man-hours		
6. Wheelchair Lift						
	Includes bearings, chain assy, pump and					
	motor, switches, etc					
	Material	$4,000.00				
	Labor	$5,242.88	64	man-hours		
7. Engine						
	Replace Engines with spare Cummins Engines and Transmissions					
	Eng'g for engine and transmission integration	$27,648.00	160	man-hours		
	Labor for installation	$3,174.40	80	man-hours		
	Labor for removal of engine	$3,174.40	80	man-hours		
	Modification of engine compartment	$63,000.00				

8. Windows						
	Assume all windows need replacement					
	Materials	$6,000.00				
	Labor	$1,269.76	32	man-hours		
9. PM Trap						
	New PM Trap	$14,500.00				
	Labor to install PM trap	$6,348.80	160	man-hours		
10. Doors						
	Actuators and controller overhaul					
	Materials	$3,000.00				
	Labor	$3,174.40	80	man-hours		
11. Video Surveillance		est based on artic TC work				
	Materials (5 cameras, 1 mic, 1 recorder)	$11,500.00				
	Labor	$3,542.40	72	man-hours		
12. Body Repair and Painting		$20,000.00				
13. Electrical System Cleaning, Testing and Repairs						
	Material	$3,500.00				
	Labor	$3,194.88	64	man-hours		
14. Differential						
	Materials	$2,500.00				
	Labor	$2,539.52	64	man-hours		
15. Heating and Ventilation Overhaul						
	Materials	$2,500.00				
	Labor	$1,269.76	32	man-hours		
16. Radiator/Cooling System						
	Materials	$4,500.00				
	Labor	$2,539.52	64	man-hours		
17. Operator Enclosure						
	Material	$2,500.00				
	labor	$3,174.40	80	man-hours		
18. Interior Body Paint		$10,000.00				
19. Miscellaneous Hardware		$5,000.00				
	Total Labor and Material per coach	$255,568.64				
	Taxes for materials	$7,903.50				
	Supervision	$3,686.40	80	man-hours @ $36/hr		

Subtotal per coach	$267,158.54				
Subtotal for 24 coaches	$6,411,804.96				
Engineering Specifications and oversight	$311,040.00	1800 hours @ $54/hr			
Administrative and Project Management	$320,590.25	5% of Subtotal for 24 coaches			
Inspection and QA	$110,592.00	2400	hours @ $36/hr		
Project Subtotal Prior to contingency	$7,154,027.21				
Contingency @ 15%	$1,073,104.08				
Grand Total for Major Overhaul of 24 coaches	$8,227,131.29				
Cost per coach	$342,797.14				

Attachment III

Zero Emissions 2020

Costs by Project *(as of 2/15/05)*

(All amounts in escalated $000s)

Project	Number of Vehicles	Cost	Funding: Federal	Funding: State	Funding: Local	Schedule
Islais Creek Bus Maintenance Facility	n/a	$ 73.7	$ 31.7	$ -	$ 42.0	1998-2008
Clean Air Device Retrofit	420	9.2	6.8	0.5	1.9	2004-2005
40' Hybrid Bus Procurement	56	51.6	26.0	-	25.6	2004-2007
30' Hybrid Bus Procurement	40	38.5	18.1	-	20.4	2005-2007
Convert Reserve Fleet to low emissions diesel engines*	45	3.6	-	-	3.6	2005-2006
Retrofit 60' Buses with low emissions diesel engines	24	8.2	6.1	-	2.1	2005-2007
Total		**184.8**	**88.7**	**0.5**	**95.6**	
Future Technology 60' Bus Procurement (Note 1)	24	38.9	30.0	-	8.9	2010-2012
Future Technology 40' Bus Procurement (Note 1)	45	52.3	40.3	-	12.0	2011-2013
Future Technology 40' Bus Procurement (Note 1)	139	160.9	123.9	-	37.0	2014-2016
Future Technology 60' Bus Procurement (Note 1)	26	44.1	34.0	-	10.1	2014-2016
Future Technology 40' Bus Procurement (Note 1)	67	82.3	63.4	-	18.9	2015-2017
Future Technology 60' Bus Procurement (Note 1)	98	167.3	128.8	-	38.5	2015-2017
Future Technology 30' Bus Procurement (Note 1)	40	66.2	51.0	-	15.2	2018-2020
Future Technology 40' Bus Procurement (Note 1)	56	83.9	64.6	-	19.3	2018-2020
Total		**695.9**	**535.9**	**-**	**160.0**	
Grand Total (All Projects)		**$ 880.7**	**$ 624.6**	**$ 0.5**	**$ 255.6**	

**Total project cost is $4.1m, $0.9m to install emissions reduction devices on the 45 vehicles is included in the Clean Air Device Retrofit project above.*

Note 1 - Assumes MTC fund programming rules change to allow funding split to reach 80/20 Fed/Local split allowed by Federal rules.
Cuurent MTC fund programming rules result in an approximate 50/50 Fed/local split.

Item 3 - File 05-0117

Departments: Department of Public Works (DPW)
Sheriff's Department
Juvenile Probation Department
City Attorney's Office

Item: Ordinance (a) re-appropriating $5,040,219 from the 1989 Earthquake Safety Bond Phase 1 (ESP1) proceeds and re-appropriating $729,002 from the 1990 Earthquake Safety Bond Phase 2 (ESP2) proceeds, for a total of $5,769,221, to fund projected shortfalls of $2,724,875 for the San Bruno Jail Replacement Project, $2,746,336 for the Juvenile Hall Replacement Project and $298,010 for the Fourth Street Bridge construction project and (b) re-appropriating $487,610 from the 1992 Fire Department Improvement Bond (FDIB) proceeds and appropriating $1,993,370 from the 1992 Fire Department Improvement Bond (FDIB) interest earnings to provide substitute funding of $2,480,980 for the Fire Station #2 construction project.

Amount and Source of Funds:

$5,040,219	Re-appropriated from the remaining balances from eight 1989 ESPI Projects
501,227	Re-appropriated from the remaining balances from five 1990 ESP2 Funds
227,775	Re-appropriated from the remaining unallocated 1990 ESP2 Funds
$5,769,221	Total Re-appropriated ESP Funds
$487,610	1992 Re-appropriated FDIB Funds
1,993,370	1992 FDIB Unappropriated Interest
2,480,980	Total 1992 Fire Bond Funds

Proposed Project Funding for Projected Shortfalls:

San Bruno Jail Replacement Project	$2,724,875
Juvenile Hall Replacement Project	2,746,336
Fourth Street Bridge Project	298,010
Total	$5,769,221

Description:

San Francisco voters approved $62,000,000 of General Obligation Earthquake Safety Bond (ESP1) funds in 1989 and $332,000,000 of General Obligation Earthquake Safety Bond (ESP2) funds in 1990 to seismically retrofit over 200 City facilities, including City Hall, San Francisco General Hospital, Laguna Honda Hospital, the Opera House, the San Francisco Zoo, North of Market Health Center, Fire Station #2 and the Fourth Street Bridge. The proposed ordinance would re-appropriate a total of $5,769,221 from ESP1 and ESP2 funds to fund projected shortfalls for the San Bruno Jail, Youth Guidance Center and Fourth Street Bridge Projects, as shown above.

In 1992, San Francisco voters also approved $40,800,000 of General Obligation Fire Department Improvement Bonds to reconstruct and seismically upgrade various Fire Department facilities. Mr. Douglas Legg of the Department of Public Works advises that, to date, a total of 37 Fire Department Improvement projects have been completed at 32 Fire Department facilities.

This proposed ordinance would also re-appropriate $487,610 from the Fire Boat Headquarters Improvement Project and appropriate $1,993,370 of interest earnings for a total of $2,480,980 from 1992 Fire Department Improvement Bonds. This $2,480,980 would be used to provide substitute funding for the Fire Station #2 project, which was previously funded with $2,480,980 of ESP1 funds, in order to make an additional $2,480,980 of ESP1 funds available to fund the projected shortfalls for the San Bruno Jail and the Juvenile Hall Replacement Projects (see Comment No. 2).

Attachment I, provided by Mr. Legg identifies the remaining fund balances and explanations for each of (a) the eight projects in ESP1 totaling $5,040,219, (b) the five projects in ESP2 totaling $501,227 and unallocated ESP2 funds totaling $227,775, for a total of $729,002 and (c) the one Fire Boat Headquarters Improvement Project

totaling $487,610 and unappropriated interest of $1,993,370 from 1992 Fire Department Improvement Bond appropriations for a total of $2,480,980.

The following three projects totaling $5,769,221 would be funded to address all of the projected shortfalls for the San Bruno Jail and Juvenile Hall Replacement Projects and to address a portion of the projected shortfall for the Fourth Street Bridge Project:

San Bruno Jail Construction Project	$2,724,875
Juvenile Hall Replacement Project	2,746,336
Fourth Street Bridge Project	298,010
Total	$5,769,221

Attachment II provided by Mr. Legg identifies the total estimated project costs, all of the funding sources, and the projected shortfalls for the San Bruno Jail, Juvenile Hall Replacement and Fourth Street Bridge projects.

San Bruno Jail Project:

In October of 2000, the Board of Supervisors approved a total appropriation of $151,241,017, including $137,235,000 in proceeds from the sale of Certificates of Participation (COPs) and $14,006,017 of interest income from the COPs to finance the demolition of San Bruno Jail No. 3 and the construction of a new San Bruno Jail for the Sheriff's Department (File 00-1488). Although $14,006,017 of interest income was originally anticipated from the COPs, Mr. Legg advises that based on the amount certified by the Controller's Office, only $11,235,896 of interest income is anticipated to be earned, resulting in a projected shortfall of $2,770,121 in interest income revenue to finance the San Bruno Jail Project. As shown in Attachment III, provided by Mr. Legg, reduced overall costs of $45,246, primarily resulting from construction cost savings for the San Bruno Jail Project, will offset the projected loss of interest income of $2,770,121, resulting in the proposed supplemental re-appropriation request of

$2,724,875 representing the amount of the currently projected shortfall for the San Bruno Jail Construction Project (see Comment No. 4).

Juvenile Hall Project: In June of 2002, the Board of Supervisors approved the acceptance and expenditure of a $15,075,000 grant from the California State Board of Corrections (File 02-0852), $1,813,245 of additional Federal and State grant funds and in May of 2003, the Board of Supervisors appropriated $42,052,080 from the sale of Certificates of Participation (COPs) (File 03-0609) to finance the demolition and replacement of the City's Juvenile Hall, located in the San Francisco Youth Guidance Center at 375 Woodside Avenue. The Juvenile Hall Replacement Project was initially anticipated to cost $51,704,095. However, as shown in Attachment IV provided by Mr. Legg, the Project is currently projected to cost $54,450,431, or $2,746,336 more than originally anticipated, representing the amount of the currently projected shortfall for the Juvenile Hall Project, which is the subject of the requested supplemental appropriation (see Comment No. 6).

Fourth Street Bridge: The requested $298,010 in this supplemental appropriation would fund the remaining amount needed to complete the seismic design, engineering and construction work on the Operator's House, Watch House and Electrical Enclosure on the Fourth Street Bridge, for a cost of $746,911 for this portion of the Project, as shown in Attachment V. As detailed in Attachment V, the costs for this portion of the Fourth Street Bridge Project have significantly increased from $36,263 to $246,263 for the Operator House and $16,135 to $111,135 for the Watchman House. Ms. Peg Divine of DPW and Mr. Legg advise that the original scope of work for the Operator and Watch Houses has completely changed from the original plans. These changes resulted from (a) unforeseen conditions, including significantly more steel corrosion than had been anticipated and additional replacement of timbers being required, and (b) the Bridge and related

Operator and Watch House buildings being eligible for the National Register of Historic Places. As a result, the Fourth Street Bridge Project has been (a) significantly delayed, (b) subject to additional Federal Historic Reconstruction regulations and incurred correspondingly increased costs. As shown in Attachment II, the overall Fourth Street Bridge Project is now anticipated to cost a total of $37,000,000, with only $33,329,232 of funding identified to date, resulting in a currently projected shortfall of $3,670,768. The requested $298,010 in the subject ordinance will reduce this shortfall to $3,372,758 (see Comment No. 7).

Comments:

1. Mr. Legg advises that there will not be any remaining balances in either the ESP1 or ESP2 Programs if this re-appropriation of $5,769,221 from the Earthquake Safety Bond Program is approved. According to Mr. Legg, even if the proposed re-appropriation of $5,769,221 were not used to fund the projected shortfalls for the San Bruno Jail, Youth Guidance Center and Fourth Street Bridge Projects, there would still be insufficient funds remaining in the ESP Program to complete two of the City's major seismic retrofit projects that were originally planned under ESP. The two major projects include the Veterans Memorial Building at an estimated cost of $78,000,000[1] and the Department of Public Health's 101 Grove Street facility at an estimated cost of $71,000,000 or a total of $149,000,000. Therefore, the Budget Analyst considers the re-appropriation of the proposed $5,769,221 of ESP funds from these still needed seismic retrofit projects, to fund the shortfalls in the San Bruno Jail, Youth Guidance Center and Fourth Street Bridge Projects, to be a policy decision for the Board of Supervisors.

2. The Fire Station #2 Project, which cost $2,480,980 and was completed in 1994, entailed the

[1] A $122,755,000 General Obligation bond to seismically strengthen and improve the Veterans Memorial Building as well as create new public arts and cultural facilities was on the November of 2002 ballot, but did not receive the required two-thirds vote for approval.

construction of a new seismically safe Fire Station located at 1340 Powell Street, near Broadway, and was originally funded with ESP1 funds. The proposed supplemental would re-appropriate $2,480,980 of 1992 Fire Department Improvement Bond proceeds to provide substitute funding for this already completed Fire Station #2 Project, instead of using ESP1 funds. This re-appropriation would then free up $2,480,980 of ESP1 funds from this Project that, in accordance with the terms of the ESP1 ballot measure, can now be used to fund the projected shortfalls, as detailed above, for the San Bruno Jail and Youth Guidance Center Projects, according to Mr. Mike Martin of the City Attorney's Office.

This $2,480,980 of substitute funding would come from the (a) re-appropriation of $487,610 of 1992 FDIB funds previously appropriated to the Fire Department's Fire Boat Headquarters Improvement Project, which the Fire Department has determined is not a high priority project at this time, and (b) appropriation of $1,993,370 of unappropriated interest from the 1992 FDIB funds interest earnings, as shown in Attachment I. According to Mr. Legg, the 1992 FDIB account has a current balance of $8,777,188, which would be reduced to $6,296,208, if the proposed substitute funding of $2,480,980 is approved. Mr. Legg advises that these funds are available because, in FY 2003-2004, the Fire Department reassessed its operations and decided not to pursue four planned projects that were to be funded with the 1992 FDIB funds, including the (1) Central Fire Alarm Station, (2) Chief's Headquarters, (3) Fire Boat Headquarters, and (4) a new Bureau of Training.

According to Mr. Legg, the Citizens General Obligation Bond Oversight Committee has repeatedly expressed concerns about remaining large balances in the FDIB programs. The Committee maintains that funds should be spent in a reasonable period of time on eligible projects that are ready-to-go rather than banking the remaining

funds for projects that do not have realistic implementation schedules.

However, the Fire Department is still planning to use the FDIB funds to complete renovations at the Old Fire Station #16 ($200,000), and was planning to use a portion of the balance to develop a new Fire Station #1 along the Mission Street corridor near downtown ($9,000,000), and a new Mission Bay Fire Station ($7,500,000), which are anticipated to cost a total of approximately $16,700,000. As noted above, if the proposed substitute funding of $2,480,980 is approved, only $6,296,208 will be remaining in the FDIB, such that there will be a shortfall of $10,403,792 ($16,700,000 total costs less $6,296,208 available funds) to complete these three anticipated Fire Department Improvement projects. Mr. Legg advises that the Fire Department is working with the Mayor's Office to identify potential other funds to pay for this anticipated shortfall for the completion of these Fire Department facilities projects. Even if this proposed re-appropriation is not approved, the Fire Department will not have adequate funds to complete the Fire Station #1 replacement and the Mission Bay Fire Station projects. The Budget Analyst considers that the re-appropriation of the proposed $2,480,980 of FDIB funds from these still-needed Fire Department Improvement projects, to be used instead to fund the shortfalls in the San Bruno Jail and Youth Guidance Center Projects, to be a policy decision for the Board of Supervisors.

3. Mr. Legg advises that, in consultation with the Mayor's Office, the subject reappropriation of the 1989 ESP1, 1990 ESP2 Bond Funds and the 1992 Fire Department Improvement Bonds were the only funding sources available, other than the City's General Fund, for paying for the projected shortfalls of $2,724,875 for the completion of the San Bruno Jail Project and $2,746,336 for the completion of the Juvenile Hall Replacement Project. According to Mr. Legg, if the proposed

supplemental appropriation is approved, no additional funds will be required to complete those two Projects[2]. However, as shown in Attachment II, even if the requested $298,010 is approved from the subject supplemental appropriation for the Fourth Street Bridge Project, an additional $3,372,758 will still be needed to complete that Project.

4. As noted above, the San Bruno Jail project assumed more interest earnings than actually realized. According to Mr. Legg, the subject re-appropriation of $2,746,336 is anticipated to cover this shortfall in interest earnings. However, the Budget Analyst notes that Ms. Nadia Sesay of the Office of Public Finance advises that as of February 10, 2005 the COPs for the San Bruno Jail Project have resulted in $12,129,091 of actual interest earnings and based on conservative estimates are anticipated to earn approximately an additional $64,800 through the completion of the project, for a total of $12,193,891. This total of $12,193,891 is $957,995 more than the $11,235,896 DPW was anticipating. Therefore, the requested re-appropriation of ESP1 funds of $2,724,875 for the San Bruno Jail Project should be reduced by $957,995 to offset these increased interest earnings, subject to certification by the Controller's Office.

5. Mr. James Cheng of DPW advises that the San Bruno Jail Project would have been able to absorb this loss of interest earnings on the COPs if additional funds had not been transferred from the Project. Mr. Legg notes that in FY 2003-2004, the Mayor's Office transferred $2,375,147 of COP proceeds for the San Bruno Jail Project to reimburse the General Fund for pre-design work that had previously been advanced by the General Fund. In addition, in FY 2004-2005, the Mayor's Office transferred an additional $3,250,000 from

[2] Mr. Legg advises that because of legal issues, liquidated damages and claims pending on all three projects, it is possible that more funds may be needed to pursue further legal actions. However, Mr. Legg further advises that such legal actions will likely result in additional claims funds for the City, that could be used to pay for other needed seismic projects in the City.

the COP proceeds for the San Bruno Jail Project to fund additional Sheriff's Department General Fund working capital expenses. Together, this has resulted in $5,625,147 of transfers from the San Bruno Jail Project Funds.

Construction of the San Bruno Jail Project began in October of 2000 and was anticipated to be completed by November 12, 2003. However, as a result of numerous design and construction problems, the DPW Project Manager currently estimates that the new San Bruno Jail will not be completed until July of 2005, or approximately 20 months later than anticipated. Mr. James Cheng of DPW advises that, as a result of these delays, DPW is assessing the developer/contractor for the San Bruno Jail Project, AMEC Construction Management Inc., $35,000 per day commencing on November 13, 2003.

6. Although the original design work for the new Juvenile Hall Replacement Project began in early 2000, the construction contract was not awarded until July of 2003, a ten-month delay due to changes to the designs and documents. When the construction began, the new Juvenile Hall was to be completed by December of 2005. As a result of additional changes and problems that arose during the construction phase of the Project, the new Juvenile Hall is now anticipated to be completed by April of 2006, a further delay of four months.

As shown in Attachment IV, the original construction contingency for the Juvenile Hall Replacement Project was $3,639,286 or ten percent of the $36,392,855 construction contract. Mr. Legg advises that due to numerous change orders already approved by DPW, and anticipated to be needed prior to the completion of the Project, the contingency has increased by $1,379,129 or a total of $5,018,415, which represents 13.79 percent of the construction contract. In addition to this contingency, $1,367,207 of additional funds are needed, for a total request of $2,746,336 to address

the Juvenile Hall Replacement Project shortfall. As detailed in Attachment IV, most of the additional $1,367,207 is needed for DPW's Project Management ($467,232), DPW's Construction Management ($447,596), City Administrative Services ($286,029) and Juvenile Probation's Project Management ($89,440). Mr. Legg advises that these additional City staff costs are primarily related to the delays in the project, since additional staff time is now required beyond the planned schedule for the project.

7. As noted above and shown in Attachment II, even if the requested $298,010 that is the subject of the proposed supplemental appropriation is approved there would still be a shortfall of $3,372,758 for the Fourth Street Bridge Project. Mr. Legg advises that DPW is working with the Transportation Authority, Muni and Caltrans to identify potential additional sources that will provide additional funding for this project. Given that the requested $298,010 would still result in a shortfall of $3,372,758 for the Fourth Street Bridge Project, the source of which is not currently known, the Budget Analyst considers approval of these funds to be a policy decision for the Board of Supervisors.

Recommendations:

1. In accordance with Comment No. 4, reduce the requested re-appropriation of ESP1 funds of $2,724,875 for the San Bruno Jail Project by $957,995 to $1,766,880 as a result of available increased interest earnings, subject to certification by the Controller's Office.

2. In accordance with Comments No. 1, 2 and 7, given that the proposed re-appropriations of Earthquake Safety Bond (ESP) and Fire Department Improvement Bond (FDIB) funds will (a) contribute to the inability to complete two major seismic retrofit projects, the Veterans Memorial Building and the Department of Public Health's 101 Grove Street facility, that were to be funded with ESP funds, and (b) contribute to the inability

to complete two Fire Department facility projects, a new Fire Station #1 along the Mission Street corridor near downtown and a new Mission Bay Fire Station, that were to be funded with the FDIB funds and (c) still result in a shortfall of $3,372,758 for the Fourth Street Bridge Project, approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Uses	
Juvenile Hall	2,746,336
San Bruno Jail #3	2,724,875
Fourth Street Bridge	298,010
Total	**5,769,221**

ESP1 (CATES1)

	Currently Programmed For		
	Legion of Honor	379,722	Project Completed. Unneeded balance.
	DPW Asian Art Admin	43,094	Project Completed. Unneeded balance.
	City Atty/Controller	102,176	Project Completed. Unneeded balance.
	Fire Dept. Projects	1,055,032	These funds were being saved for Station 1 Replacement
	SFFD Lead Abatement	13,051	Project Completed. Unneeded balance.
	Old Fire Station #21	217,145	Station was inactivated. Now used as Fitness and Rehab Center. Did not need same level of work as an active station.
	Fires Station #1 Renov	749,019	Old Station 1 was sold. These funds were being saved for Station 1 Replacement
	Fire Station #2	2,480,980	Expenses to be abated to Fire Bond
Total ESP1		5,040,219	

ESP2 (CATES2)

	St. Mary's Garage*	89,313	Project Completed. Unneeded balance.
	101 Grove Seismic*	278,047	Earthquake repairs to building completed. These funds were inadequate for full seismic retrofit.
	101 Tenant Reloc*	39,343	Same as Seismic project
	Pal. Fine Arts Disabled*	87,362	Project Completed. Unneeded balance.
	Civic Center Space Plan*	7,162	Project Completed. Unneeded balance.
	Unallocated	227,775	
Total ESP2		729,002	

* Total of $501,227

1992 Fire Bond

	Fire Boat	487,610	Fire Department determined that this was not a high priority at this time.
	Unappropriated Interest	1,993,370	
Total Fire Bond		2,480,980	

Youth Guidance Center		
Total Project Cost	$	54,450,431
Revenues		
Certificates of Participation	$	34,815,850
State and Federal Grants		16,888,245
Total	$	51,704,095
Shortfall	$	2,746,336

San Bruno Jail		
Total Project Cost	$	151,195,771
Revenues		
Certificates of Participation	$	137,235,000
Interest on COPs		11,235,896
Total	$	148,470,896
Shortfall	$	2,724,875

4th Street Bridge		
Total Project Cost	$	37,000,000
Revenues		
State & Federal Grants	$	32,373,933
1/2¢ Sales Tax		264,048
General Fund CIP		226,850
1987 Street Bond		15,500
ESP1		448,901
Total	$	33,329,232
Shortfall	$	3,670,768
This request	$	298,010
Remaining Shortfall	$	3,372,758

Attachment III

			ORD. 228-00	CURRENT EST.	DIFFERENCE
I.	FUNDING SOURCES				
	A.	Proceeds from COPs	$137,235,000	$137,235,000	$ 0
	B.	Interest Income	14,006,017	11,235,896	2,770,121
	C.	Total	$151,241,017	$148,470,896	$2,770,121
II.	PURPOSE OF APPROPRIATION				
	A.	Construction Funds	$130,793,369	$125,425,238	$5,368,131
	B.	Sheriff's Expenses	1,407,213	1,690,153	(282,940)
	C.	Debt Service	12,810,466	12,253,808	556,658
	D.	Issuance Costs/			
	E.	Bond Discounts	6,229,969	6,201,425	28,544
	F.	Pre-Bond Design		2,375,147	(2,375,147)
	G.	Operating Transfer		3,250,000	(3,250,000)
	H.	Total	$151,241,017	$151,195,771	$ 45,246
	I.	Expenses less Revenues	-0-	2,724,875	

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ATTACHMENT A

Attachment IV

JUVENILE HALL REPLACEMENT PROJECT
REQUEST FOR SUPPLEMENTAL APPROPRIATION
12/30/2004

	COP Project Costs	COP $	Forecast $	Delta $	Class	Avg $ / Hr	Hrs
	Construction / Purchase / Installation						
1	Construction Contract	36,392,855	36,392,855	0			
2	Construction Contingency	3,639,286	5,018,415	1,379,129			
	subtotal Construction	$40,032,141	$41,411,270	$1,379,129			
	Project Control						
3	Client Dept. Services	200,000	289,440	89,440			
	Sp. Assist. XIII	200,000	289,440	89,440	1372	$52	1,720
4	DPW Project Management	$1,036,739	$1,503,971	$467,232			
	BOA Proj. Mgr. II	997,800	1,444,022	446,222	5504	$139	3,210
	BOE Principal Eng.	36,238	56,271	20,032	5212	$165	121
	BOE Planning & Control	2,700	3,678	978	9398	$92	11
5	City Administrative Services	$162,100	$448,129	$286,029			
	HRC	4,000	0	-4,000			
	DPT	5,000	6,000	1,000			
	DPH	7,000	850	-6,150			
	Purchasing	61,500	80,032	18,532			
	DPW	4,500	1,481	-3,019			
	City Attorney	80,100	359,766	279,666			
6	Regulatory Agency Approvals	286,234	276,110	-10,124			
7	Basic A/E Services	3,266,400	3,294,914	28,514			
8	Construction Management	$3,992,044	$4,439,640	$447,596			
	Design / Bid Phase	273,412	263,727	-9,685			
	Contract Preparation	12,500	22,263	9,763	5174	$131	75
	BCM Review	24,426	44,112	19,686	5212	$150	131
	Consultant Review: Luster	100,860	100,794	-66			
	Consultant Review: Zahn	85,370	55,196	-30,174			
	BCM As-Needed Admin.	4,638	4,638	0			
	BCM HazMat Specification	6,498	6,498	0			
	Consultant Review: EPC / CM	39,120	30,226	-8,894			
	Construction Phase: City	1,614,853	1,596,771	-18,082			
	Principal Eng	82,948	101,165	18,217	5212	$166	110
	Engineer	583,609	711,743	128,134	5241	$123	1,042
	Building Inspector	474,159	584,373	110,214	6331	$100	1,102
	Field Engineer / M&E	229,568	0	-229,568			
	Access Compliance	0	11,063	11,063	6335	$148	75
	Contract Compliance Clerk	13,775	8,453	-5,322			
	Contract Compliance Rep	188,245	115,529	-72,716			
	Contract Compliance Chief	27,549	16,907	-10,642			
	Relocation Const. Mgt.	15,000	47,538	32,538	5241	$123	265
	Construction Phase: Consultant	1,350,354	1,688,952	338,598			
	Construction Mgt.	1,350,354	1,588,891	238,537			
	As-Needed Geotech	0	100,061	100,061			
	Materials Testing & Sp. Inspect.	242,542	378,677	136,135			
	City Testing Lab						
	Associate Engineer	28,500	41,044	12,544	5207	$107	117
	Materials Testing Engineer	27,600	39,748	12,148	5305	$71	171
	Materials Testing Aide	26,000	37,443	11,443	5304	$69	166
	As-Needed Test / Insp CSOs						
	ISI Masonry	63,560	148,560	85,000			
	ISI Steel	96,882	111,882	15,000			
	HazMat / Environ. Monitoring	510,883	511,513	630			
	BCM Construction Inspector	44,188	76,886	32,698	6318	$101	324
	BCM Regulatory Specialist	146,805	253,143	106,338	5620	$95	1,119
	BCM Accountant	4,417	7,620	3,203	1634	$76	42
	BCM Manager	5,473	9,422	3,949	9398	$121	33
	Environ./ Acoustic Monitoring	180,000	64,493	-115,507			
	North Tower	130,000	99,949	-30,051			
9	Surveys / Data Collection	184,768	195,811	11,043			
	BCM Regulatory Specialist	26,436	30,930	4,494	5620	$95	47
	As-Needed CSOs						
	Geo / Civil / Topo / Building	130,000	127,692	-2,308			
	HazMat & Environmental						
	HazMat: North Tower	16,448	25,305	8,857			
	Environ: Sequioa	6,240	6,240	0			
	Environ: Delta	1,344	1,344	0			
	Environ: Duffy	4,300	4,300	0			
10	A/E Additional Services	376,050	411,155	35,105			
11	Site Control	6,000	6,000	0			
12	Program Cost	34,320	34,320	0			
	subtotal Project Control	$9,544,654	$10,899,490	$1,354,835			
	Relocation Construction						
13	Construction	1,310,181	1,304,290	-5,871			
14	FFE / Teledata (Relocation)	55,000	51,612	-3,388			
	subtotal Relocation Construction	$1,365,161	$1,355,902	-$9,259			
15	**Art Enrichment**	$288,568	$274,732	-$13,836			
16	**Hazardous Materials Abatement**	$216,171	$215,199	-$972			
17	**FFE / Teledata (New Construction)**	$257,400	$293,838	$36,438			
	Total Supplemental Request	$51,704,095	$54,450,431	$2,746,336			

' related to Buildings

ITEM	DESCRIPTION	CONTRACT WORK	EXTRA WORK	COMMENTS	Stage of Completn
	OPERATOR HOUSE				
1	Bid Item BR-3 Remove & Reset OH	$21,977.00			half done
2	Bid Item BR-4 Rehabiliate OH	$14,286.00		All spent when delete work.	done
3	New Operator House		$190,000.00		not done
4	Plumbing & Electrical		$20,000.00		not done
		$36,263.00	$210,000.00	**246,263**	
	WATCHMAN HOUSE				
1	Bid Item BR-5 Remove & Reset WH	$16,135.00			half done
2	Watchman House Repairs		$95,000.00		not done
		$16,135.00	$95,000.00	**111,135**	
	ELECTRICAL ENCLOSURE				
1	Bid Item BR-6 Electrical Enclosure	$65,692.00			half done
2	Addition Freight CO	$21,500.00			not done
		$87,192.00	$0.00	**87,192**	
	CONTINGENCY (20%)			**88,918**	
	TOTAL			**533,508**	**746,911 incl. Soft costs**

1/21/2005

Item 4 - File 04-1750

Departments: Department of Public Health (DPH)
Department of Human Services (DHS)
Department of Children, Youth, and Families (DCYF)
San Francisco Unified School District (SFUSD)
Mayor's Office of Community Development (MOCD)
Recreation and Park Department (RPD)

Item: Hearing related to childhood nutrition to explore (a) the types of Federal funding resources available to the City for childhood nutrition, (b) if the City is maximizing its efforts to aggressively pursue all Federal funding streams, (c) how many of the funding resources the City currently receives, (d) if the City is leveraging everything it can to provide adequate nutrition for children, and (e) the barriers preventing the City from maximizing all of the resources available to it.

Description: The Budget Analyst was requested to prepare a report to accompany this hearing on childhood nutrition and related Federal funds. Specifically, the Office of the Sponsor requested that the Budget Analyst provide:

- Program descriptions and budgets for City programs related to childhood nutrition that utilize Federal funding streams;
- Analysis of why the City may be underutilizing funds available for childhood nutrition; and
- Policy considerations for improving the effectiveness of the City's childhood nutrition programs.

In general, the City impacts childhood nutrition by (a) administering Federal food assistance programs, (b) directly providing nutrition services at programs, such as after-school and summer programs in recreation centers, and (c) awarding grant funds (generally through the DCYF and the MOCD) to community-based organizations that provide snacks or meals to children as part of another service or program.

This report provides an overview of how the City uses Federal nutrition funds and the barriers to full utilization of these funds.

Childhood Poverty and Hunger in San Francisco:

Federal childhood nutrition programs primarily use poverty, as defined by the Federal Poverty Line[1], as a proxy for measuring the level of childhood hunger. According to *2004 San Francisco County Profile*, a report by the California Food Policy Advocates, a nonprofit organization, 86,585 people, or 11.1 percent of the City's population of 776,733, are in poverty as defined by the Federal Poverty Line, based on information from the 2000 U.S. Census. According to this same report, 15,443 children, or 13.7 percent of the total 112,802 children in the City, are in poverty as defined by the Federal Poverty Line (see Comment No. 4).

Childhood Nutrition Programs Overview:

Attachment I, compiled by the Budget Analyst from information provided by various program contacts, including City and SFUSD employees and non-profit providers, provides summary information about programs that impact childhood nutrition in San Francisco. Attachment I includes information about each program's administration, funding, eligibility, and participation. Attachment II is a list of the various program contacts interviewed.

The following Table 1, compiled by the Budget Analyst and based on information in Attachment I, summarizes several key indicators for FY 2003-2004 programs that utilize Federal United States Department of Agriculture (USDA) nutrition funds in San Francisco.

The columns "Utilizing Maximum Federal and State Funds" and "Percent Eligible Served" are based on self-evaluation by program contacts, not analysis by the Budget Analyst.

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[1] In 2004, the Federal Poverty Line defined poverty as a gross annual income equal to or less than $9,310 for a single person, $12,490 for a household of two, or $18,850 for a household of four.

Table 1. Summary of Federally Funded Childhood Nutrition Programs, FY 2003-2004

Dept./ Org.	Program	Funding Source	Program Budget	CCSF Contribution to Budget	Using Max. Federal & State Funds	Number Served	Percent Eligible Served
DHS	Food Stamp Program	Federal USDA, State, and CCSF	$23.556,904 ($33.511,988 in direct benefits to participants)	$4.180,889	No[2]	11,546 children; 16,941 adults	56%
DPH	Women, Infants, and Children (WIC) Program	Federal USDA	$2,077,941	$0	Yes	16,000 women and children per month	122%
DPH	Feeling Good Service Project	Federal USDA	$297,853	$0	Yes	40,000 residents	100%
DCYF	Summer Food Service Program (and Pilot Year-Round Feeding Program to start in FY 2005-2006)	Federal USDA, State, and CCSF	$594.411	$35,324	No	213,514 meals	21.7%[3]
SFUSD	National School Lunch and Breakfast Programs	Federal USDA, State, SFUSD, and CCSF	$13,630.218	$753,129	No	Average of 23,497 lunches 5,499 breakfasts, and 3,147 snacks per day	Lunches:[4] 65% Breakfasts: 17%
SFUSD	Nutrition Education Program	Federal USDA	$1,300,215	$0	Yes	5.000 students	100%
Various	Child and Adult Care Food Program	Federal USDA	N/A	N/A	N/A	N/A	N/A

[2] According to Mr. Leo O'Farrell of DHS, 50 percent of the matching Federal Funding for the Food Stamp Program is unlimited. In order to claim the 50 percent Federal match, a 50% local General Fund match is required.

[3] According to Mr. Ken Bukowski of DCYF, DCYF does not track the number of children served by the Summer Food Service Program, only the number of meals. Mr. Bukowski advises that in the summer of 2003, the program served an average of 4,253 meals per day. Given that there were approximately 19,579 children eligible for participation in the program in the summer of 2003, according to the California Food Policy Advocates, and the assumption can be made that the number of meals served in a day is approximately equal to the number of children participating in the program, the Budget Analyst calculates that approximately 21.7 percent of the children eligible to participate in the program did so.

[4] Given that there were approximately 30,670 students who were eligible for participation in the programs in 2004, according to Ms. Pat Saturnio of SFUSD, and 85 percent of the meals served in the National School Lunch Program and 95 percent of the meals served in the National School Breakfast Program are to eligible students, the Budget Analyst calculates that there were an average of 19,972 lunches served per day to eligible students and 5,224 breakfasts served per day to eligible students. Because the assumption can be made that the number of meals served in a day is approximately equal to the number of children participating in the program, the Budget Analyst calculates that approximately 65 percent of the students eligible to receive free lunches did so, and approximately 17 percent of the students eligible to receive free breakfasts did so.

As shown in Table 1, there are three City departments (Department of Human Services, Department of Public Health, and Department of Children, Youth, and Families) that currently administer four programs that have a direct impact on childhood nutrition and that utilize Federal funding (Food Stamp Program, WIC Program, Summer Food Service Program, and Feeling Good Project). This number will increase to five programs in FY 2005-2006, when DCYF's pilot Year-Round Feeding Program begins. As summarized in Table 1, the SFUSD administers three childhood nutrition programs with Federal funding streams (National School Lunch Program, National School Breakfast Program, and Nutrition Education Program). The SFUSD is also the contracted food service provider for DCYF's Summer Food Service Program mentioned above.

The Child and Adult Care Food Program (CACFP) is a decentralized Federal funding program that allows individual child care providers, such as child care facilities and homeless shelters, to directly apply to the California Department of Education for reimbursement with Federal USDA funds for meals and snacks served to children and youth. City-sponsored programs, such as the Recreation and Park Department's (RPD) after-school programs, and City-funded programs, such as those funded by the MOCD and the DCYF can also apply for reimbursement through CACFP.

Additionally, although not included in Table 1, the San Francisco Food Bank (Food Bank) is a nonprofit organization that administers several programs with Federal funds and has a significant impact on childhood nutrition in the City. Attachment I includes a summary of the Food Bank's activities related to Federal USDA funds and childhood nutrition.

The majority of the Federally funded childhood nutrition programs are entitlement[5] programs, or programs that

[5] An entitlement program is a government program that provides individuals with benefits (or sometimes special government-provided goods or services) to which an indefinite number of potential beneficiaries have a legal right whenever they meet eligibility conditions.

provide benefits for all applicants who meets eligibility requirements. The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program) is an exception because it has a participation cap that is set annually by the State and Federal governments.

Underutilization of Programs:

In response to the Office of the Sponsor's request regarding program utilization rates, the Budget Analyst reviewed the California Food Policy Advocates report, *2004 San Francisco County Nutrition Profile,* which found that Federal nutrition funds are underutilized in the City. The report's major findings are summarized in Table 2 below:

Table 2: Underutilization of Federal Nutrition Funds in San Francisco, 2004

Food Assistance Program	Number Eligible	Number Eligible Not Served	Percent Eligible Not Served	Loss of Federal Funds Due to Underutilization
Food Stamp Program	86,585	56,924	66%	$60,111,744
National School Lunch Program	34,676	14,052	41%	$5,057,003
National School Breakfast Program	34,676	28,515	82%	$5,680,006
Summer Meals	19,579	12,978	66%	$670,963
CACFP[6] (In Centers)	15,849	8,608	54%	(no data from California Food Policy Advocates)
CACFP[6] (In Homes)	4,870	2,536	52%	(no data from California Food Policy Advocates)

Source: *2004 San Francisco County Nutrition Profile,* California Food Policy Advocates

The Budget Analyst requested that each of the program contacts respond to the findings summarized above in Table 2.

Mr. Leo O'Farrell of DHS questioned the reported number of eligible Food Stamp recipients. According to Mr. O'Farrell, Food Stamp eligibility is determined by a number of factors not listed in the report, including personal assets, resources, immigration status, and Supplemental Security Income (SSI), and not simply

[6] Child and Adult Care Food Program

annual income, as the California Food Policy Advocates report used to determine eligibility. According to Mr. John Murray of DHS, as described in Attachment I, there are 28,487 participants in the Food Stamp Program in FY 2003-2004, or approximately 56 percent of the approximately 50,870 eligible.

Ms. Ellen Stroud of the San Francisco Food Bank (Food Bank) commented on the relatively low number of eligible participants for the Summer Meals Program of 19,579 because the Food Bank considers the number eligible for Summer Meals to be the same as the number eligible for the National School Lunch Program and National School Breakfast Program, or 34,676.

The following Table 3, compiled by the Budget Analyst, compares the percent of those eligible not served, as reported by the California Food Policy Advocates and as reported by program contacts. Table 3 lists some potential explanations for the differences in reported percentages.

Table 3: Comparing CFPA's[7] and Program Contacts' Reports for the Percent of Eligible Not Served by Food Programs

Program	Percent Eligible Not Served		Potential Explanations for Difference
	According to CFPA[7]	According to Program Contacts, Table 1	
Food Stamp Program	66%	44%	Applications of some considered eligible by CFPA are not accepted by program as a result of SSI, resources, and immigration status
National School Lunch Program	41%	35%	Unknown
National School Breakfast Program	82%	83%	N/A
Summer Meals	66%	78.3%	CFPA report number includes SFUSD-served summer meals; This information was not available to the Budget Analyst.

[7] California Food Policy Advocates

Barriers to Participation:

The Budget Analyst inquired what the program contacts regarded as the major barriers preventing full participation in both City and SFUSD childhood nutrition programs. Their responses are summarized below:

All programs:

- Lack of knowledge about programs among eligible populations, especially among special populations, such as immigrants;
- Complicated, multi-step applications;
- Language barriers;
- Fear of undocumented status or of providing confidential information;
- Stigma associated with being low income;
- Dissatisfaction with provided food or services;
- Program administrative expenses are higher than Federal reimbursement rates, resulting in increased costs to the City.

City programs:

- Work schedules of participants that prevent access to programs that are open only during standard business hours;
- Inconvenient locations of program offices and activities (such as Food Stamp offices and summer lunch programs not in neighborhoods where eligible populations can easily access them);
- Program offices, such as Food Stamp offices, are not "family friendly" and do not all offer family-helpful services such as childcare; and,

SFUSD programs:

- Decentralized process for getting application forms distributed (i.e. at the school level);
- Inadequate time to eat breakfast before school, often as a result of buses arriving too late to allow for it.

Comments:

1. According to Ms. Paula Jones of San Francisco Food Systems, a nonprofit organization that works closely with the City and SFUSD concerning issues related to hunger and the food system, in the Spring or Summer of 2005, the San Francisco Food Alliance, a working group consisting of representatives from the City, residents, and nonprofit organizations, will release a report, *Food and Agriculture Report Card*, about the state of the food system in the City. Ms. Jones advises that this report will include indicators, baseline data, and an analysis of ways the City can better address the problem of hunger and food security.

2. According to Ms. Jones, one issue of major concern in San Francisco is that the State and Federal governments set fixed administrative reimbursement rates for programs such as the National School Lunch Program, National School Breakfast Program, Summer Food Service Program, and Food Stamp Program, but administrative expenses are higher in the City than the national average due to higher labor costs and other factors affected by the cost of living. As a result, the City and the SFUSD must contribute more funds for the administration of these programs.

3. Despite the barriers to full program utilization identified above, there have been many significant successes related to childhood nutrition programs in recent years. For example, according to Ms. Stroud, as discussed in Attachment I, partially as a result of a working group sponsored by the Food Bank in 2003 consisting of representatives from several local and State agencies and organizations, the number of children served free summer lunches through both SFUSD and Summer Food Service Program grew in the summer of 2004. This

also occurred because DCYF provided four additional SFSP sites, and SFUSD opened more summer schools and provided free summer school lunch service to all children in the surrounding communities, rather than only to those students registered for summer school during 2004 as compared with 2003. Additionally, every summer school student received free lunch as a result of the Seamless Summer Food Waiver, in contrast to previous years.

According to Ms. Ellen Stroud of the San Francisco Food Bank (Food Bank), as described in Attachment I, the Food Bank improved participation in the Commodity Supplemental Food Program after it took over administration of the Program in the summer of 2004. The Commodity Supplemental Food Program provides low-income seniors, children, and pregnant or postpartum women with 30 to 40 pound boxes of nutritionally balanced food on a monthly basis. The Food Bank reports increased participation in this Program from approximately 6,000 to 9,000, an increase of 3,000, or 50 percent.

Further, according to Ms. Maria LeClair of DPH, the WIC Program and the Feeling Good Project are successfully collaborating with other City departments and SFUSD by performing outreach for the Food Stamp Program, the National School Breakfast and Lunch Programs, the Summer Feeding Program and the Commodity Supplemental Feeding Program. Ms. LeClair explains that providing outreach for these programs is a mandated function of the WIC Program's funding.

4. Program contacts also advised that other definitions of poverty are more useful than the Federal Poverty Line, which, as previously noted, is based on a national average poverty level, to understand the level of childhood hunger in cities such as San Francisco, where the cost of living is significantly higher than the national average. For example, according to Ms. Stroud, the Food Bank uses a measure of "food insecurity" in order to quantify the level of hunger in San Francisco. Based on this food insecurity

measure,[8] 25 percent of children and nearly 150,000, or 19 percent of all City residents, live with the threat of hunger, according to Ms. Stroud.

5. According to Ms. Stroud, the President's proposed FY 2005-2006 budget includes cuts in funding for the Commodity Supplemental Food Program, which as noted above is locally administered by the Food Bank in San Francisco. Ms. Stroud advises that if the final Federal budget passed by Congress includes these funding cuts, the local impact is unknown, but could be significant.

According to Ms. Jones, the President's proposed FY 2005-2006 budget also includes a cut that would impact the Food Stamp Program by no longer allowing states to treat as "categorically eligible" for food stamps those recipients of Temporary Assistance for Needy Families (TANF) Program services unless they also received TANF cash assistance. According to Mr. O'Farrell, it is unknown at this time how many San Francisco residents could potentially be affected by this proposed cut.

6. In March of 2003, San Francisco voters passed Proposition H, that requires the City to set aside funds for a period of ten years to a Public Education Enrichment Fund to pay for school art, music, sports, libraries, early childhood education, and other school programs. The City is required to contribute $10 million in FY 2005-2006, $20 million in FY 2006-2007, $30 million in FY 2007- 2008, $45 million in FY 2008-2009 and $60 million in FY 2009-2010. For the final five years, the amount would increase or decrease from $60 million by the percentage change in discretionary City revenues for that year. Up to one-third of the amount could be provided in the form of in-kind support such as legal, financial, health or safety services.

[8] According to Ms. Stroud, the food insecurity measure is calculated using 2000 Census data segmented by neighborhood to determine the number of individuals, families with children, and seniors living at or below 150 percent of the Federal Poverty Line. Ms. Stroud explains that the Food Bank "picked 150 percent, which we think is conservative, because we know that the Federal Poverty Line does not reflect the cost-of-living in San Francisco... It is an estimate of where the tipping point is when people will be unsure at some point in the month where their next meal will come from."

Proposition H specifies that the Budget Analyst and Controller's Office must recommend cuts in City spending or new revenue sources sufficient to meet the contribution requirements to the Public Education Enrichment Fund for each year. The Budget Analyst notes that there may be ways that the City can contribute a portion of its one-third in-kind contribution to the School District through childhood nutrition-related services, such as assisting the SFUSD in co-coordinating Federally funded childhood nutrition programs.

7. The Budget Analyst attempted to compile information from RPD concerning its programs that include nutrition components and meals or snacks, such as after-school programs, summer camps, and recreation centers. Because RPD's recreation programs are managed in a decentralized manner, according to program contacts, the Budget Analyst was not able to compile the desired information, although, there are numerous RPD programs that do provide food to children and youth. Nutrition-related decisions, including whether program-served food meets certain nutrition standards, whether the program applies for reimbursement from the Federal USDA through the Child and Adult Day Care Feeding Program, and whether the program applies to become a site for the Summer Food Service Program, are made by the individual RPD program manager or recreation center director.

8. The Budget Analyst made numerous inquiries to representatives from the SFUSD to compile information about the SFUSD's childhood nutrition programs, including program budgets and eligibility and participation figures. SFUSD program contacts did not provide this information to the Budget Analyst until just prior to the writing of this report, and after the Budget Analyst contacted the Office of the Superintendent of SFUSD for assistance with this request. The Budget Analyst notes that the communication difficulties experienced in the preparation of this report may be indicative of other barriers preventing full coordination between the City and SFUSD related to childhood nutrition.

Policy Options for Consideration:

Based on our review of the City's existing childhood nutrition programs, the California Food Policy Advocates report, and interviews with program contacts, the Budget Analyst presents the following as potential policy options to improve programs that impact childhood nutrition. However, because the Budget Analyst has not conducted an independent evaluation of these programs, the following are not recommendations, but rather policy options for consideration and further exploration by the Board of Supervisors.

1. **Improve coordination between the City and SFUSD and among City departments.** As previously noted, the Budget Analyst had difficulty in obtaining nutrition program information from SFUSD (see Comment No. 8). Both Mr. Timothy Thole of the United States Department of Agriculture (USDA) and Ms. Stroud advised that improved coordination is the major way the City can make strides in serving more children without expending additional funds. According to Mr. Bukowski, improved coordination with SFUSD is critical for improving childhood nutrition in San Francisco because the SFUSD is the primary local entity that can apply for State and Federal childhood nutrition funds.

Further, there are some programs sponsored by the Recreation and Park Department (RPD) that serve meals or snacks to children, and yet there appears to be relatively little coordination between RPD and other City departments related to childhood nutrition. Program contacts commented that this may, in part, be explained by the decentralized manner by which recreation programs are managed at RPD (see Comment No. 7).

Mr. Bukowski advises that DCYF is partially implementing this suggested policy option to increase coordination with its plans to add a Child Nutrition Coordinator position in FY 2005-2006, at an annual salary and benefit cost of $83,295, to primarily be paid for through increased reimbursement funds from the State. This new position would manage DCYF's food programs, work with the SFUSD and other City departments to increase participation in existing programs, and ensure

the City is positioned to take advantage of any additional funding streams not currently being utilized.

2. **Increase program outreach activities, including coordinating outreach among City and SFUSD programs.** All program contacts interviewed noted that the nutrition and food assistance programs would benefit from greater outreach to the public, especially to communities that are difficult to reach, due to language and other cultural barriers, such as immigrants. The Budget Analyst notes that all City and SFUSD childhood nutrition programs should work together to devise complementary outreach strategies. Additionally, each program could have information about all other childhood nutrition programs available, as done by the WIC Program, as previously noted (see Comment No. 3). The WIC Program and the Feeling Good Project are performing outreach for the Food Stamp Program, the National School Breakfast and Lunch Programs, the Summer Feeding Program and the Commodity Supplemental Feeding Program.

3. **Require all City-sponsored and City-funded programs that provide meals to low-income children as part of their programming to utilize Federal funds available to them.** The City could require community-based organizations to apply for participation in Federal nutrition programs, and therefore maximize the use of City funds, if the organizations provide meals and snacks to low-income children in their City-funded and City-sponsored programs. Instituting such a requirement would ensure that City funds are not used to pay for food for which Federal USDA funds are available, thereby freeing up City funds for other purposes, while also ensuring that the snacks and meals served to children meet Federal nutrition standards. According to Mr. Gene Coleman of MOCD, MOCD administers Federal Community Development Block Grants (CDBG) to programs that provide some form of child care services, most of which are located in low-income communities. Mr. Coleman advises that many of these CDBG-funded programs apply for Federal nutrition funds, although MOCD does not compile information regarding the number that do so.

4. **Advocate for the Federal government to regionalize (a) income guidelines for participation in food assistance programs (i.e. Federal Poverty Line), and (b) administrative reimbursement rates.** As previously noted, the Federal Poverty Line at $18,840 for a family of four in 2004 is the same nationwide and, therefore, not adjusted according to San Francisco's higher cost-of-living. Because Federally-funded programs for childhood nutrition use the Federal Poverty Line to define eligibility, there are many families in the City who have incomes higher than the Federal Poverty Line and thus are not eligible for assistance but may be experiencing poverty and hunger (see Comment No. 4). Similarly, as previously noted, the administrative reimbursement rate for Federal food programs is fixed and is not adjusted to the higher costs associated with administering programs in the City (see Comment No. 2). Using only one reimbursement rate results in greater costs borne by the City's General Fund, as in the case of the Food Stamp and Summer Food Service Programs, which, according to Mr. O'Farrell and Mr. Bukowski, received $4,820,000 and $55,263 from the City's General Fund in FY 2004-2005 respectively.

5. **Increase the number, location or quality of program sites, including summer meal sites and Food Stamp offices.** The Food Stamp Program currently has four Food Stamp Offices, which are listed in Attachment I. Three of the four offices are located in the vicinity of the Civic Center, although they are tailored to serve different types of populations. The Food Stamp Program could consider adding satellite offices in other neighborhoods that are open on a limited basis.

6. **Include more nutrition education and meals/snacks in City-sponsored child and youth programs.** According to Mr. Thole, RPD's activity programs provide an ideal way for the City to improve the nutritional well-being of children. Mr. Thole suggests that the City consider including nutrition goals into all such programs, thus seeing youth programs as an opportunity to promote the wellness of the individual and the community through nutrition.

7. **Consider advocating for the reinstatement of Provision 2 in SFUSD.** In schools with more than a certain percent of all students eligible for the National School Lunch Program and National School Breakfast Program, all student meals are free and reimbursable. This option, called Provision 2 by the Federal USDA, was discontinued in SFUSD in the 2001-2002 school year because, according to Ms. Pat Saturnio of SFUSD, the SFUSD administration decided to do so. Provision 2 allows school districts to determine the minimum percentage of students eligible for free/reduced meals for a school to be allowed to serve all children free meals. According to Ms. Jones, in order for Provision 2 to be cost feasible for SFUSD, the minimum percentage must be fairly high, in the neighborhood of 80% of students or more, because SFUSD has to fund the price of meals served that do not qualify for reimbursement. Ms. Jones suggests that reinstating Provision 2 in SFUSD would improve childhood nutrition by providing more children meals and would assist SFUSD by securing more revenue.

8. **Institute nutrition standards for snacks and meals in City-sponsored and City-funded programs.** Mr. Coleman advises that childcare programs that provide meals and snacks are often required to obtain a license issued by the DPH. Mr. Coleman suggested that the Department of Public Health could include a nutrition component, in the form of education or certification, in the food provision licensing process.

Conclusion:

The City impacts childhood nutrition by (a) administering Federal food assistance programs, (b) directly providing nutrition services at programs, such as after-school and summer programs in recreation centers, and (c) awarding grant funds (generally through the DCYF and the MOCD) to community-based organizations that provide snacks or meals to children as part of another service or program.

There are three City departments (Department of Human Services, Department of Public Health, and Department of Children, Youth, and Their Families) that currently administer four programs that have a direct impact on childhood nutrition and that utilize Federal funding (Food

Stamp Program, Special Supplemental Nutrition Program for Women, Infants, and Children, Summer Food Service Program, and Feeling Good Project). This number will increase to five programs in FY 2005-2006, when DCYF's pilot Year-Round Feeding Program begins. The SFUSD administers three childhood nutrition programs with Federal funding streams (National School Lunch Program, National School Breakfast Program, and Nutrition Education Program). The SFUSD is also the contracted food service provider for DCYF's Summer Food Service Program. Although the Budget Analyst was able to compile detailed information about childhood nutrition programs at DPH, DHS, and DCYF, we were unable to compile detailed information concerning childhood nutrition programs and related activities at other City departments, where nutrition program and related activities are decentralized.

Program contacts advised the Budget Analyst that the issue of childhood hunger is a significant one in San Francisco, an issue that can be partially masked by the definition of poverty used by most Federally-funded programs. Program contacts advised that other definitions of poverty are more useful than the Federal Poverty Line to understand the level of childhood hunger in cities such as San Francisco, where the cost of living is significantly higher than the national average. For example, according to Ms. Stroud, the Food Bank uses a measure of "food insecurity" in order to quantify the level of hunger in San Francisco. Based on this food insecurity measure, 25 percent of children and nearly 150,000, or approximately 19 percent of all City residents, live with the threat of hunger, according to Ms. Stroud.

The Budget Analyst found that all available Federal United States Department of Agriculture funds for nutrition are not fully utilized by the City and the SFUSD. This finding by the Budget Analyst was also independently determined by the California Food Policy Advocates. Some of the major reasons reported for this underutilization (see Barriers to Participation section in this report), include: a lack of knowledge about programs among eligible populations, complicated, applications, language barriers, fear of undocumented status or of

providing confidential information, stigma associated with being low income, dissatisfaction with provided food or services, and program administrative expenses are higher than Federal reimbursement rates, resulting in increased costs to the City.

The Budget Analyst provided eight potential policy options (see Policy Options for Consideration section of this report) to improve programs that impact childhood nutrition for consideration and further exploration by the Board of Supervisors. Some of these include increasing coordination among City departments and between the City and SFUSD, including nutrition requirements for City-sponsored and City-funded programs, increasing program outreach activities, and advocating for the Federal government to regionalize income guidelines for participation in food assistance programs and administrative reimbursement rates.

Notably, the Budget Analyst made numerous inquiries to representatives from the SFUSD to compile information about the SFUSD's childhood nutrition programs, but program contacts did not provide this information to the Budget Analyst until just prior to the writing of this report, and only after the Budget Analyst contacted the Office of the Superintendent of SFUSD for assistance with this request. The Budget Analyst notes that the communication difficulties experienced in the preparation of this report may be indicative of other barriers preventing full coordination between the City and SFUSD related to childhood nutrition.

ATTACHMENT I:
Programs Impacting Childhood Nutrition

FOOD STAMP PROGRAM

Program Description

The Food Stamp Program provides monthly food stipends to eligible low-income individuals and households that can be used to purchase food. Currently, FY 2004-2005 program benefits provide participants an average of approximately 90 cents a meal per person. In San Francisco, the City does not provide benefits via food coupons; rather, benefits are given directly to participants via electronic debit accounts.

Administration and Funding

DHS administers the Food Stamp Program in San Francisco. DHS receives Federal USDA funds that are channeled through the State of California. The Federal government pays 100 percent of benefits given to participants, and the Federal, State, and City governments share administrative costs. DHS receives 50% reimbursement of its administrative costs from Federal funds and 35% from State funds, up to the maximum State allocation which is based on caseload size. Any remaining costs are paid for with the City's General Fund.

The Food Stamp Program currently has four Food Stamp Offices:

- 1235 Mission (Main Office)
- 3120 Mission (Serves mostly Spanish-speaking participants)
- 1440 Harrison (Serves mostly elderly and Chinese-speaking participants)
- 170 Otis (Serves mostly families)

Table 1 below, compiled by the Budget Analyst with information provided by Mr. Leo Levenson of DHS, summarizes the Food Stamp Program budgets for FY 2003-2004 and FY 2004-2005.

Table 1: DHS Food Stamp Program Budgets, FY 2003-2004 and FY 2004-2005

	FY 2003-2004	FY 2004-2005
Sources		
Federal USDA Food Stamp Funds	$11,647,799	11,570,399
California General Fund	7,728,216	7,299,601
CCSF General Fund	4,180,889	4,820,000
Total Sources	**$23,556,904**	**$23,690,000**
Uses		
Personnel Salaries and Fringe[1]	($15,594,566)	($15,680,000)
Overhead	(7,302,367)	(8,010,000)
Total Uses	**($23,556,904)**	**($23,690,000)**

According to Mr. Levenson, the State General Fund allocation is $428,615 lower in FY 2004-2005 than FY 2003-2004 ($7,299,601 in FY 2004-2005 versus $7,728,216 in FY 2003-2004.) As Table 1 shows, the City is contributing $23,690,000 from the General Fund for the administration of the Food Stamp Program in FY 2004-2005. According to Mr. Levenson, the entire CCSF General Fund amount appropriated to the Food Stamp Program goes toward a Maintenance of Effort (MOE) requirement for county administrative costs for both the Food Stamps and CalWorks Programs.

The value of Food Stamp benefits given directly to Program participants was $33,511,988 in FY 2003-2004 and $37,500,000 in FY 2004-2005. Food Stamp benefits are fully funded by the Federal USDA and are given directly to participants, and therefore are not included in the program budgets above.

Eligibility and Participation

Eligibility for the Food Stamp Program is based on financial and non-financial factors. Households, except those with elderly or disabled members, must have gross incomes below 130 percent of the Federal Poverty Line and net incomes below 100 percent of the poverty line. Table 2 on the following page summarizes income guidelines for Food Stamp eligibility in 2004. Additionally, households may not have more than $2,000 in resources, such as a bank account, or $3,000 if at least one person is age 60 or older, or is disabled. Certain resources are not counted, and the resources of people who receive Supplemental Security Income (SSI) or benefits under the Temporary Assistance for Needy Families (TANF) program. Legal immigrants who are

[1] The salary and fringe numbers are both for employees in DHS's Food Stamp Program and for a share of salaries for the CalWorks program, which qualifies families for Food Stamps at the same time as they qualify for CalWorks cash aid.

children, disabled, or who have legally resided in the United States for at least 5 years can receive Food Stamps. Other legal immigrants and any undocumented immigrants are ineligible for Food Stamp benefits.

Table 2: Income Guidelines for Food Stamp Eligibility, 2004

Household Size	Net Annual Income (100% Poverty Level)	Gross Annual Income (130% Poverty Level)
1	$ 9,312	$12,108
2	12,492	16,248
3	15,672	20,376
4	18,852	24,516
5	22,032	28,644
6	25,212	32,784
7	28,392	36,912
8	31,572	41,052
Each Additional Member	+ 3,180	+ 4,140

Source: USDA Food Stamp website, www.fns.usda.gov/fsp/applicant_recipients/fs_Res_Ben_Elig.htm+usda+food+stamp+income&hl=en&start=1

According to Mr. John Murray of DHS, San Francisco's Food Stamp Program has 28,487 participants, including 11,546 children. Mr. Murray, advises that 56 percent of the approximately 50,870 of those eligible to receive food stamps do so, but because the eligibility is determined by a number of other factors, it is difficult to quantify the number of San Francisco residents who are eligible to receive food stamps.

Special Supplemental Nutrition Program for Women, Infants, and Children

Program Description

The Special Supplemental Program for Women, Infants, and Children (WIC) is a nutrition program for women who are pregnant, breastfeeding, or have recently had a baby, infants, and children under five years of age. The goal of the WIC Program is to decrease the risk of poor birth outcomes and to improve the health of participants during critical times of growth and development. It is short term, in that, on average, WIC participants receive services for approximately two years.

In San Francisco, the WIC Program offers participants several services, including supplemental foods, breastfeeding and nutrition education, and

referrals to health care. The supplemental foods provided by the WIC Program are designed to meet the participants enhanced dietary needs for specific nutrients during brief but critical periods of physiological development.

Administration and Funding

DPH administers the WIC Program in San Francisco. DPH receives USDA WIC funds that are channeled through the State of California. San Francisco is one of 82 local county and private non-profit agencies to deliver WIC services at the local level in California. Ms. Maria LeClair of DPH advises that the WIC Program's caseload is fully funded based on the funding formula used by the California WIC Program Branch. As shown in Table 3 below, in FY 2003-2004 and FY 2004-2005, 100% of the program expenses came from Federal USDA funds. Because the WIC program is not an entitlement program, the Federal funding level is determined annually by Congress. The WIC Program is administered by 32 FTE staff in DPH

Table 3 below, compiled by the Budget Analyst with information provided by Ms. LeClair, summarizes the WIC Program budgets for FY 2003-2004 and FY 2004-2005. In response to a Budget Analyst question as to why the budget for the two years are identical, Ms. LeClair noted that funding is determined by a formula applied by the California WIC Program Branch, and the funding from the State was the same for the two fiscal years.

Table 3: DPH WIC Program Budgets, FY 2003-2004 and FY 2004-2005

	FY 2003-2004	FY 2004-2005
Sources		
Federal USDA Funds	$ 2,077,941	$ 2,077,941
Total Sources	**$2,077,941**	**$2,077,941**
Uses		
Operating Expenses	($ 295,093)	($ 295,093)
Personnel		
Salaries	(1,447,248)	(1,447,248)
Fringe	(334,447)	(334,447)
Indirect Operating Expenses	(1,153)	(1,153)
Total Uses	**($2,077,941)**	**($2,077,941)**

Eligibility and Participation

According to data provided by Ms. LeClair, as of February 2004, the WIC Program serves 16,000 participants per month, and participation in the program has remained stable over the past five years. Ms. LeClair advises

that information provided by the California WIC Program shows that 122 percent of those eligible to participate in the San Francisco WIC Program do so, and the calculation is based on data from the 2000 United States Census and current WIC Program participation data by zip codes. According to Ms. LeClair, the reason why the WIC Program serves over 100% of its eligible participants is because, in addition to serving residents of the City, the program serves participants who work in the City but reside elsewhere.

Eligibility for WIC is based on the following criteria: Participants must (a) be a pregnant, postpartum, or breast-feeding woman, an infant, or a child under the age of five; (b) have a household income below 185 percent of the Federal Poverty Level, or $34,873 per year for a family of four in 2004. (Any individual at nutritional risk who receives benefits from the Food Stamp Program, Aid to Families with Dependent Children (AFDC), or Medicaid, or is a member of a family in which a pregnant woman or infant receives Medicaid benefits, is deemed automatically eligible to meet the WIC income eligibility.); and, (c) be certified by a health professional to be at nutritional risk.

Summer Food Service Program

Program Description

The Summer Food Service Program (SFSP) serves nutritious meals to low-income children under the age of 18 when school is not in session. Reimbursable meals must meet Federal nutrition standards. In San Francisco, the SFSP provides lunches at sites operated by community-based organizations, the Housing Authority and the Recreation and Park Department. SFSP sites are open to all children who go to the site during meal service times.

Administration and Funding

DCYF administers SFSP for the City and contracted with 89 sites during the summer of 2004. According to Mr. Ken Bukowski of DCYF, DCYF applies for reimbursement for Federal and State funds through an application to the California Department of Education. Any remaining costs are paid for with the City's General Fund, which in FY 2003-2004 was $35,324. There were 24.25 FTE staff administering SFSP during the summer 2004, consisting of one Coordinator, two Assistant Coordinators, ten part-time Site Monitors and 30 part-time Housing Authority Site staff members. The total staff is anticipated to be 16.25 FTE during the summer of 2005 due to a decrease in the number of part-time Housing Authority Site staff.

Table 4 below, compiled by the Budget Analyst with information provided by Mr. Bukowski, summarizes the SFSP budgets for FY 2003-2004 and FY 2004-2005.

Table 4: DCYF Summer Food Program Budgets, FY 2003-2004 and FY 2004-2005

	FY 2003-2004	FY 2004-2005
Sources		
Federal USDA and California SFSP Funds		
Meal reimbursement	$514,275	$642,916
Admin. reimbursement	44,812	56,975
CCSF General Fund	35,324	55,263
Total Sources	**$594,411**	**$755,154**
Uses		
Direct Expenses		
Meals	($501,062)	($598,900)
Delivery	(408)	(0)
Personnel		
Salaries	(81,817)	(123,970)
Fringe	(6,418)	(22,726)
Other Indirect Expenses	(4,706)	(9,458)
Total Uses	**($594,411)**	**($755,054)**

According to Mr. Bukowski, DCYF plans to add a full-time Child Nutrition Coordinator as part of its FY 2005-2006 budget, a position that will focus on expanding the SFSP, instituting a pilot snack program and finding ways to work with SFUSD to access additional funding.

__Eligibility and Participation__

Mr. Bukowski advises that the SFSP served 165,090 meals through 77 sites during the summer of 2002. In the summer of 2003, the SFSP operated 44 days over nine weeks at 82 sites. The total number of meals served was 187,120, or an average of 4,253 meals per day. According to the San Francisco Food Bank, only 16% of the 35,000 eligible children participated in summer lunch programs in 2003. In 2004, SFSP operated for 49 days and served 213,514 meals, or an average of 4,357 meals per through 89 sites SFSP has steadily increased the number of meals served during the past three years and plans to significantly expand the number of meals served during the summer of 2005 by increasing the number of sites and expanding outreach strategies. DCYF plans to expand the SFSP to 110 sites during the summer of 2005 and increase the number of meals served to 265,000, or an

average of 6,023 meals per day. According to Mr. Bukowski, DCYF does not track the number of children served or usage frequency (i.e. meals per child).

A site is eligible to provide a free lunch for all the children if it is located in a geographic area in which at least 50 percent of the children qualify for free or reduced price school meals at the elementary school that serves the area (in other words, 50 percent of the families are below 185 percent of the Federal Poverty Line). Other SFSP sites serve free meals and snacks only to children who are enrolled in their programs. These "enrolled sites" are eligible for Federal funds to serve all the children enrolled in the programs if at least 50 percent of the children enrolled can be documented to qualify for free or reduced price school meals. People over age 18 who are enrolled in school programs for persons with disabilities may also participate in the SFSP.

National School Lunch & National School Breakfast Programs

Program Description

The National School Lunch Program (NSLP) and National School Breakfast Program (NSBP) provide qualified children with free or reduced price school meals. The new Seamless Summer Waiver allows schools operating during the summer months to also provide free and reduced price summer meals to students who are eligible during the school year, thus cutting back on the required paperwork and related administrative costs. The SFUSD is reimbursed for providing these meals with Federal USDA and State funds and, in return, must serve breakfasts and lunches that meet Federal nutrition requirements.

Administration and Funding

SFUSD receives cash subsidies and commodity foods[2] from the Federal USDA for each meal it serves. The Federal funds are administered by the California Department of Education. According to Ms. Leah Rimkus of San Francisco Food Systems, there is also a State subsidy of $0.13 per meal in the 2004-2005 school year.

Table 5 below, compiled by the Budget Analyst with information provided by Ms. Pat Saturnio of SFUSD, summarizes the NSLP and NSBP budgets for FY 2003-2004 and FY 2004-2005. The Budget Analyst notes that the total

[2] Food commodities are USDA-supplied foods that the Federal government purchases from farmers in order to maintain food-prices at a desired level. These lower-priced food commodities are available for use by school districts participating in NSLP and NSBP.

sources and total uses for the programs are not equivalent for both FY 2003-2004 and FY 2004-2005.

Table 5: SFUSD National School Lunch and Breakfast Programs Budgets, FY 2003-2004 and FY 2004-2005

	FY 2003-2004	FY 2004-2005
Sources		
Federal USDA Funds	$ 9,498,835	$11.900.315
State Funds	607,447	451,000
Other Revenue	2,770,806	2,357,500
SFUSD General Fund	753,129	521,780
Total Sources	**$13,630,217**	**$15,230,595**
Uses		
Direct Expenses (Meals)	($ 5,136,345)	($ 5,538,500)
Personnel		
Salaries	(4,811,776)	(5,170,618)
Fringe	(1,801,139)	(2,424,116)
Indirect Expenses	(732,320)	(777,361)
Total Uses	**($12,481,180)**	**($13,910,595)**

<u>Eligibility and Participation</u>

According to Ms. Saturnio, in the 2003-2004 school year, SFUSD served 4,229,526 lunches, 989,869 breakfasts, and 566,485 afternoon supplements at 146 schools.

According to Ms. Saturnio, in the 2004-2005 school year, approximately 53 percent, or approximately 30,670 students, of the 57,873 students enrolled in SFUSD are eligible to participate in the free and reduced meal program. Of the 26,000 students participating in the NSLP on an average day, 22,100 are eligible, or 85 percent, and of the 5,100 students participating in the NSBP on an average day, 4,845 are eligible, or 95 percent. Of the 30,670 students eligible to participate in both programs, approximately 72.1 percent participate in NSLP on an average day and approximately 15.8 percent participate in NSBP on an average day. In the summer of 2004, SFUSD served approximately 3,000 meals per day at 40 schools.

Children whose family income is at or below 130 percent of the Federal Poverty Line are eligible to receive free meals. Those with incomes between 130 percent and 185 percent of the poverty level are eligible for reduced-price meals. Although school districts are permitted to charge up to $0.40 for such reduced price meals, SFUSD does not charge or collect any money from children who are eligible for reduced-price meals. Children from families

over 185 percent of poverty pay full price, although their meals are still subsidized to some extent.

According to Ms. Saturnio, participation in NSBP and NSLP is higher at elementary and middle schools than at high schools. According to Ms. Rimkus, there is some difficulty in getting families to fill out and return the meal application form that is used to determine a student's eligibility at the beginning of the school year. Ms. Rimkus advises that this difficulty may be due to a number of factors: (a) the forms can look intimidating, (b) the process for getting the forms distributed is decentralized and at the school level, and (c) issues of confidentiality and immigrant status prevent parents from wanting to provide detailed background information. There is a subcommittee of the SFUSD School Nutrition and Physical Fitness Committee working on ways to improve outreach efforts. According to Ms. Saturnio, students do not fully utilize the NSBP and NSLP because many students do not eat breakfast due to a lack of time, often as a result of buses not getting students to school in time for breakfast.

The Board of Education established a policy that SFUSD would not deny any child a meal, so regardless of whether or not a student is eligible for a free meal, the student is fed. These meals for non-eligible students do not bring in any revenue to SFUSD to sustain or improve the meal programs.

However, in schools with more than a certain percent of all students eligible for the NSLP and NSBP, all student meals are free and reimbursable. This option, called Provision 2 by the Federal USDA, was discontinued by the SFUSD in the 2001-2002 school year because the SFUSD administration decided to do so. Provision 2 allows school districts to determine the minimum percentage of students eligible for free/reduced meals for a school to be allowed to serve all children free meals. According to Ms. Rimkus, in order for Provision 2 to be cost feasible, the percentage selected be fairly high, in the neighborhood of 80% of students or more, because SFUSD would have to make up the price of meals served that do not qualify for reimbursement. Ms. Rimkus suggests that reinstating Provision 2 in SFUSD would improve childhood nutrition by getting more children meals and would assist SFUSD by securing more revenue.

DPH Feeling Good Project

Program Description

The Feeling Good Project promotes healthy eating and physical activity and develops partnerships with community organizations to provide nutrition education classes and educational materials to low-income populations in the

City, including members of the Spanish and Chinese speaking communities. The Feeling Good Project is a local project of the California Nutrition Network for Healthy, Active Families (California Nutrition Network), a program based in the California Department of Health Services that assists local public entities to enhance their nutrition education and physical activity promotion that target Food Stamp-eligible and similar low-income consumers through "innovative social marketing strategies," according to the California Nutrition Network's website.

Administration and Funding

DPH administers the Feeling Good Project with Federal USDA Food Stamp funds that are passed through the California Nutrition Network, California Department of Health Services. The program is administered by 4.45 FTE staff.

Table 6 below, compiled by the Budget Analyst with information provided by Ms. LeClair, summarizes the DPH Feeling Good Project budgets for FY 2003-2004 and FY 2004-2005. According to Ms. LeClair, the budgets are the same for the two years because, the amount of funds received through the State is based on local draw-down funds, and these funds have remained the same for both fiscal years.

Table 6: DPH Feeling Good Project Budgets, FY 2003-2004 and FY 2004-2005

	FY 2003-2004	FY 2004-2005
Sources		
Federal USDA Food Stamp Funds	$279,853	$279,853
Total Sources	**$279,853**	**$279,853**
Uses		
Operating Expenses	($ 79,371)	($ 79,371)
Personnel		
Salaries	(157,099)	(157,099)
Fringe	(33,837)	(33,837)
Indirect Operating Expenses	(9,546)	(9,546)
Total Uses	**($279,853)**	**($279,853)**

Eligibility and Participation

The Feeling Good Project served 40,000 participants in both FY 2003-2004 and FY 2004-2005. Participation has steadily increased since the first year of funding in FY 1999-2000, according to Ms. Laura Brainin-Rodriguez of DPH, as a result of partnering with approximately 45 community-based organizations.

Ms. LeClair advises that the Nutrition Network funds are intended to target Food Stamp-eligible and similar low-income consumers, and the Feeling Good Project serves 100% percent of its intended population. Ms. LeClair advises that the Feeling Good Project has performed outreach through media (TV, radio, and print) interviews and public service announcements to over 3,500,000 households per year, presumable reaching all San Francisco residents more than once.

SFUSD Nutrition Education Program

Program Description

The Nutrition Education Program is a local project of the California Nutrition Network for Healthy, Active Families (California Nutrition Network), a program based in the California Department of Health Services that assists local public entities to enhance their nutrition education and physical activity promotion that target Food Stamp-eligible and similar low-income consumers through "innovative social marketing strategies," according to the California Nutrition Network's website.

The School Health Programs Department (SHPD) is the division of SFUSD that is responsible for programs and services addressing the health-related needs of San Francisco's school age children, youth and their families. According to Ms. Trish Bascom of SFUSD, the Nutrition Education Program implements nutrition education about fruits and vegetables in the City's public elementary schools having greater than 50% free and reduced lunch population, of which there are currently 13 schools.

Administration and Funding

SFUSD administers the Nutrition Education Program with Federal USDA Food Stamp funds that are passed through the California Nutrition Network. According to Ms. Bascom, SFUSD "matched" $2,600,430 of its own funds in FY 2004-2005 for health education and physical education programs in order to receive the USDA funds.

The Budget Analyst requested budget information from the program for FY 2003-2004 and FY 2004-2005, but did not receive it as of the writing of this report.

Eligibility and Participation

According to Ms. Bascom, the Nutrition Education Program served 5,000 students in both FY 2003-2004 and FY 2004-2005. Ms. Bascom advises that,

the Nutrition Education Program serves 100% percent of its intended population.

Year-Round Feeding Program

According to Mr. Bukowski, in FY 2005-2006, DCYF will launch the Year-Round Feeding Program, a State of California pilot program that extends the Summer Food Service Program (SFSP) throughout the year. In the new pilot, all California community and municipal organizations, such as Boys and Girls Clubs, park and recreation departments and cities who run the SFSP are eligible to receive reimbursements of up to $.6125 per day, 365 days a year, for snacks served in the afterschool setting, while continuing to serve summer lunches. According to Mr. Bukowski, DCYF plans to add one full-time Child Nutrition Coordinator as part of its FY 2005-2006 budget, a position that will in part institute the pilot program. A budget for the program from Mr. Bukowski was not available as of the writing of this report. According to Mr. Bukowski, DCYF is in discussions with the San Francisco Food Bank to serve as the food vendor for the pilot because SFUSD is unable to do it at a cost that is feasible for DCYF. DCYF hopes to have a plan in place by March of 2005 to start the snack program.

Child and Adult Care Food Program

The Child and Adult Care Food Program (CACFP) is a decentralized Federal funding program that allows individual child and adult care providers, such as day care facilities and homeless shelters, to directly apply to the California Department of Education for reimbursement meals, snacks, and nutrition-related services for children and youth. CACFP provides reimbursement for food and meal preparation costs, ongoing training in the nutritional needs of children, and onsite assistance in meeting the program's nutritional requirements. According to Ms. Jones, the total meals reimbursed through CACFP in San Francisco in FY 2002-2003 was 4,806,102. It is important to note, however, that there are many City departments that can potentially either utilize or impact the utilization of these funds, including the Recreation and Park Department, Mayor's Office of Community Development, DCYF, and homeless shelters with children and youth.

SAN FRANCISCO FOOD BANK

The San Francisco Food Bank (Food Bank) is the largest distributor of food to low-income families and individuals in San Francisco. The Food Bank solicits donations from a number of sources and distributes food to qualifying public service agencies and neighborhood pantries. According to Ms. Ellen Stroud of the Food Bank, the organization is involved in the issue of childhood nutrition in three primary ways: 1) analyzing the problem and existing approaches to addressing them, such as its 2004 report *Filling the Gaps in Summer Feeding Programs*; 2) advocating for better coordination among City and State departments, SFUSD, local organizations; and, 3) sponsoring a number of programs that directly impact childhood nutrition, including Neighborhood Grocery Network Pantries, Healthy Children Pantries, Commodity Supplemental Food Program, Immigrant Food Assistance, Community Food Partners, the Emergency Food Assistance Program, the Emergency Food Box Program, and shopping program.

The Food Bank receives Federal USDA foods and partial funds for the administration of the following programs that impact childhood nutrition:

Emergency Food Assistance Program. The California Department of Social Services distributes Federal USDA funds through the Emergency Food Assistance Program (EFAP). The EFAP distributes USDA commodities to non-profit agencies serving low-income families and individuals through their emergency meal and pantry programs. In FY 2003-2004, the Food Bank expended $2,505,300 of Emergency Food Assistance funds.

Commodity Supplemental Food Program. On July 1, 2004 the Food Bank took over management of the Federal Commodity Supplemental Food Program (CSFP). This program, previously managed by the Economic Opportunity Council, provides low-income seniors, children, and pregnant or postpartum women with 30 to 40 pound boxes of nutritionally balanced food on a monthly basis. Under its previous administrators, only approximately 6,000 participants were served. In the first five months after taking over administration of CSFP, participation in the Program increased rapidly, and the caseload was more than 8,500 registered households as of November of 2004. The Program's participation cap is set by the Federal USDA for the State of California, and the California Department of Education sets the participation cap for each county where the program is operated.

The City contributes funds to the Food Bank's childhood nutrition efforts in two ways: DHS partially funds 1) the Emergency Food Box Program that provides a three-day supply of emergency food to eligible families; and 2) the Immigrant Food Assistance Program that provides weekly groceries to low-

income immigrants. Although neither of these programs is directed solely at children, both can have a significant impact on childhood nutrition.

Program Contacts

San Francisco Department of Human Services (DHS)

Leo O'Farrell, Food Stamp Program Manager
Leo Levenson, Finance Manager
John Murray, Senior Analyst
Ylonda Calloway, Food Stamp Program Analyst

San Francisco Department of Public Health (DPH)

Magdalene Louie, WIC Coordinator
Maria LeClair, Director of Nutrition Services
Laura Brainin-Rodriguez, Coordinator Feeling Good Project

San Francisco Department of Children, Youth, and Families (DCYF)

Nani Coloretti, Director of Policy, Planning and Budget
Ken Bukowski, Assistant Director of Budget and Administration

Mayor's Office

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Gene Coleman, Senior Manager

San Francisco Unified School District (SFUSD)

Pat Saturnio, Director, Student Nutrition Services
Trish Bascom, Executive Director, School Health Programs

San Francisco Food Systems

Paula Jones, Director
Leah Rimkus, Program Manager

United States Department of Agriculture, Food and Nutrition Service, Western Regional Office

Timothy Thole, Team Leader, Special Nutrition Programs

San Francisco Food Bank

Ellen Stroud, Advocacy and Education Coordinator

California Food Policy Advocates

George Manalo-Leclair, Director of Legislation

Item 6 - File 05-0190

Departments: Department of Human Services (DHS)
Department of Children, Youth, and Families (DCYF)

Item: Hearing on the Financial Status of Wages Plus and Childcare for Foster Parents Program.

Description: The Office of the Sponsor requested that the Budget Analyst prepare a report to accompany this hearing that provides the following information:

(1) A brief history of the Wages Plus Program, including program expansion and number of childcare providers served,
(2) Budget details since the Wages Plus Program inception in FY 2000-2001 through FY 2004-2005,
(3) An explanation of the budget and expenditure variance for the Wages Plus Program from FY 2000-2001 through FY 2004-2005,
(4) Details on how the $248,000 Board of Supervisors FY 2004-2005 addback was expended and why DHS currently projects a shortfall for the Wages Plus Program in FY 2004-2005,
(5) A brief history of the Childcare for Foster Children Program,
(6) Details on why DHS currently projects a shortfall for the Childcare for Foster Children Program, and
(7) A description of DHS' rationale for the funding decisions made regarding the Wages Plus and Childcare for Foster Children Programs in FY 2004-2005.

Wages Plus Program: According to Ms. Michele Rutherford of the Department of Human Services, the intent of the Wages Plus Program, a program for childcare providers in San Francisco, is to:
(1) Augment the wages of childcare providers so that childcare providers are paid a living wage,
(2) Create financial incentives for childcare providers to seek professional development and training courses,
(3) Rationalize wages so that wage rates correspond to the level of professional development and training of childcare providers, and

(4) Create incentives for licensed family childcare homes to provide childcare to low-income children.

Ms. Rutherford states that since the Wages Plus Program's inception in FY 2000-2001, DHS has contracted with the Children's Council, a nonprofit agency, for the Children's Council to administer the wage augmentation payments made to qualified childcare providers. Ms. Rutherford advises that from FY 2000-2001 through FY 2002-2003, DHS provided program management, including program design, implementation and oversight. Beginning in FY 2003-2004, instead of DHS directly providing program management, the Wages Plus Program has been managed by a subconsultant of the Children's Council, currently C&B Consultants, a for profit firm. According to Ms. Rutherford, program management involves program design and implementation and the Children's Council services include payment dispersal and translation and transcription of program materials for linguistically isolated childcare providers.

Attachment I to this report, provided by Ms. Rutherford, includes budget details for the Wages Plus Program for FY 2004-2005. As shown on Attachment I, the total projected expenditures for the Wages Plus Program in FY 2004-2005 is $3,902,817, of which $3,403,102, or 87.2 percent, is direct wage augmentation. The remaining $499,697 is budgeted for program administration ($285,333) and program evaluation quality assessment ($214,364). Notably, the projected expenditures for this program of $3,902,817 is $107,027 more than is budgeted for this program in FY 2004-2005, as further discussed below.

As of the writing of this report, Ms. Rutherford could not provide annual budget details from the Wages Plus Program inception in FY 2000-2001 through FY 2003-2004.

Wages Plus Program Expansion:

Beginning in FY 2000-2001, the Wages Plus Program provided wage augmentation for childcare providers working in licensed childcare centers. In March of 2001, the Wages Plus Program was expanded to include family

childcare homes. Also, beginning in FY 2001-2002, the Wages Plus program developed incentives for professional development and training, and job tenure by providing additional wage increases for (1) childcare providers who obtained 16 credit hours of general education, and (2) step increases for childcare providers who had remained with the same employer for five years or more.

Attachment II to this report, provided by Ms. Rutherford, shows the average wages before the Wages Plus Program was initiated in FY 2000-2001, and the various wage scales, including incentives, in FY 2004-2005. Attachment III to this report, also provided by Ms. Rutherford shows the number of childcare providers who received augmentation wages in childcare centers and in licensed family childcare homes from FY 2000-2001 to date. As of the writing of this report, DHS could not provide the number of childcare providers who receive additional incentive wage increases annually.

Wages Plus Program Budget and Expenditures Variance: The table below, compiled by the Budget Analyst based on information provided by Ms. Rutherford, shows the total budgeted funding, funding sources, and expenditures detail for the Wages Plus Program since its inception in FY 2000-2001 through FY 2004-2005, and the DHS budget proposal for FY 2005-2006.

Budgeted Funding and Expenditures for Wages Plus

Year	DHS Budget – General Fund	Board of Supervisors Add-Back – General Fund	Total Budget	Actual Expenditures	Unexpended Funds
FY 2000-2001	$4,100,000		4,100,000	1,118,486	2,981,514
FY 2001-2002	3,850,000	466,512	4,316,512	2,021,445	2,295,067
FY 2002-2003	4,204,968		4,204,968	3,265,872	939,096
FY 2003-2004	3,590,855		3,590,855	3,432,929	157,926
FY 2004-2005	3,547,790	248,000**	3,795,790	3,902,817***	-107,027
FY 2005-2006*	3,547,790		3,579,000	3,881,425	-302,425

*The FY 2005-2006 budget is DHS's proposal to the Mayor and will not necessarily reflect actual expenditures or the Mayor's budget submission to the Board of Supervisors on June 1, 2005.
**The Board of Supervisors provided a $248,000 add back to DCYF for Wages Plus, and DCYF workordered this $248,000 to DHS for the Wages Plus Program.
***The total expenditures for FY 2004-2005 is a straight line projection based on expenditures to date.

As shown in the table above, DHS did not expend all of the funds budgeted for the Wages Plus program in FY 2000-2001 through FY 2003-2004. According to Ms. Rutherford, these funds were not expended because new childcare providers were being added to the program in the early years and it took time for these childcare providers to seek professional development and training courses to qualify for increased earnings. Ms. Rutherford further advises that these unexpended budgeted funds reverted to the General Fund fund balance at year-end.

Also as shown in the table above, the Wages Plus Program is projected to cost $107,027 more in FY 2004-2005 then is budgeted for the Program. The Wages Plus Program is projected to cost $302,425 more in FY 2005-2006 then DHS has requested in its budget. Mr. Phil Arnold of DHS advises that the DHS will provide information directly to the Finance and Audits Committee for the February 24, 2005 hearing regarding this projected FY 2004-2005 and FY 2005-2006 shortfall.

Board of Supervisors FY 2004-2005 Addback and Wages Plus Program Shortfall:

In June of 2004 during the City's Budget deliberations, the Budget Committee restored $248,000 to the Department of Children Youth and Their Families (DCYF) for the Wages Plus Program. According to Ms. Nani Coloretti of DCYF, DCYF workordered this $248,000 addback to DHS for the Wages Plus program. As stated by the Board of Supervisors Budget Committee during the June 2004 budget deliberations, the intent of the Budget Committee in providing the $248,000 addback was to provide:

- $70,000 to address a projected shortfall in the Wages Plus Program, and
- $178,000 for an additional $0.25 per hour wage increases for qualified childcare providers beginning in January of 2005 through June 2005.

The Budget Committee determined, based on DHS estimates, that the $248,000 addback would be sufficient (a) to fully fund the program shortfall based on DHS'

estimates of the cost of the Wages Plus program in FY 2004-2005, and (b) to provide an additional $0.25 per hour wage increase for six months. However, Ms. Rutherford advises that DHS underestimated the cost of the Wages Plus Program in the FY 2004-2005 budget submission by approximately $285,027. Ms. Rutherford states that due to this shortfall, the DHS has been unable to provide the $0.25 per hour wage increase for qualified childcare providers beginning in January of 2005 and currently faces a $107,027 projected shortfall to maintain the Wages Plus Program **without** the additional $0.25 per hour wage increase.

According to Ms. Rutherford, the Wages Plus Program costs for FY 2004-2005 have increased above DHS' June of 2004 estimates because more childcare providers than originally estimated are qualified for incentive wage increases, and the June of 2004 projection did not include the costs of payment adjustments, payroll services and taxes, and overtime.

Mr. Arnold advises that the DHS has not yet determined what sources it will use to fill the $107,027 budget shortfall for FY 2004-2005 to maintain the Wages Plus program, but states that DHS will find revenues or reduce expenditures to cover these costs. Mr. Arnold further advises that DHS does not intend to provide the $0.25 per hour wage increase due to budget constraints.

Childcare for Foster Children Program:

According to Ms. Rutherford, the Childcare for Foster Children Program provides childcare vouchers to foster parents in San Francisco and for relative caretakers in and out of San Francisco county. Such vouchers are used to purchase childcare services. Ms. Rutherford advises that DHS has been administering this program for over 20 years, and that for the last three years, this program has cost approximately $4,800,000.

Ms. Rutherford advises that DHS's budget assumed $1,900,000 of revenue from Federal funds for the Childcare of Foster Children Program. However, DHS did not receive this $1,900,000 in Federal funds as was

anticipated and consequently there was a $1,900,000 shortfall in this program. Mr. Arnold states that this $1,900,000 revenue shortfall has been funded as follows:

- $600,000 savings in the Childcare for Foster Children Program expenditures due to State rate changes applied to the Program.
- $300,000 savings in the Childcare for Foster Children by moving foster children to another source of funding for childcare.
- $1,000,000 in increased one-time revenues from a revised State allocation for children's services.

DHS' Funding Decision Rationale:

As of the writing of this report, the DHS has not provided the Budget Analyst with a requested memorandum that explained the rationale for the funding decisions made regarding these two Programs in FY 2004-2005. However, Mr. Arnold advises that DHS will provide such a memorandum directly to the Finance and Audits Committee for the February 24, 2005 hearing.

Comment:

As of the writing of this report, DHS was unable to provide the Budget Analyst with:

- Budget details for the Wages Plus Program from FY 2000-2001 through FY 2003-2004,
- The number of childcare providers who received additional incentive wage increases annually.
- Details regarding how the $107,027 budget shortfall in the Wages Plus Program will be funded, and
- A memorandum that explains the rationale for the funding decisions made regarding these two Programs in FY 2004-2005.

Mr. Arnold advises that DHS will provide this information directly to the Finance and Audits Committee for the February 24, 2005 hearing, and will also directly provide the Finance and Audits Committee with details regarding the projected FY 2005-2006 shortfall for the Wages Plus and Childcare for Foster Children programs.

Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Daly
Supervisor Elsbernd
President Peskin
Supervisor Alioto-Pier
Supervisor Dufty
Supervisor Ma
Supervisor Maxwell
Supervisor McGoldrick
Supervisor Mirkarimi
Supervisor Sandoval
Clerk of the Board
Controller
Erin McGrath
Ted Lakey
Cheryl Adams

The WAGES+ FY 04-05 budget includes the following:

Subsidies:

$ 2,690,705 Center payments (incl. $53,000 overtime)
$ 545,917 Family Child Care payments
$ 63,898 Ext. increase Worker's Compensation
$ 102,600 12 mos. – longevity increases (center & FCC)
$ 3,403,120 Wage subsidy to providers FY 04-05

Quality Assessment:

$ **214,364** Work order to DCYF for SFSU Gateways to Quality

Program Administration:

$ 124,345 CCSF Contract (translation, transcript analysis, payment dispersal)
$ 180,988 Sucontract for Program Mgt. (TA, monitoring, auditing, data base development)
$ 305,333 Total FY 04-05 WAGES+ prog. admin. & sup.
$ (20,000) Projected admin. savings
$ **285,333** Total admin & support FY 04-05

Combined cost of program:

$ 3,403,120 WAGE subsidy to providers
$ 214,364 Quality Assessment
$ 285,333 Program staffing and administration
$ **3,902,817** Total WAGES+ Proj. Expenditure FY 04-05

Projected Shortfall:

$ 3,547,790 WAGES+ budget FY 04-05
$ 248,000 Add-back
$ 3,795,790 FY 04-05 Total Budget
$ (3,902,817) Projected Expenditure FY 04-05
$ 107,027 FY 04-05 projected shortfall

Source: Ms. Michele Rutherford, DHS, February 17, 2005

'AGES *Plus*

Fiscal Year 2004-2005

Attachment II

'age scales for qualified staff

Staff qualifying category based a modified version of the California Child Development Permit Matrix	**Average Hourly Wages FY 00-01** (before WAGES *Plus*)	**WAGES Plus wage floors**	**WAGES *Plus* Quality+ (*Current*)**
id/Assistant	$7.74	$9.00	**$9.25**
NE YEAR WAGE FLOOR			$9.35
'O YEAR WAGE FLOOR			$9.45
IREE YEAR WAGE FLOOR			$9.45
OUR YEAR WAGE FLOOR			$9.45
IVE YEAR WAGE FLOOR			$9.45
eacher Assistant	$8.12	$9.50	**$9.75**
NE YEAR WAGE FLOOR			$9.85
'O YEAR WAGE FLOOR			$9.95
IREE YEAR WAGE FLOOR			$10.05
OUR YEAR WAGE FLOOR			$10.15
IVE YEAR WAGE FLOOR			$10.25
ssociate Teacher	$9.70	$11.15	**$11.40**
NE YEAR WAGE FLOOR			$11.50
WO YEAR WAGE FLOOR			$11.60
IREE YEAR WAGE FLOOR			$11.70
OUR YEAR WAGE FLOOR			$11.80
IVE YEAR WAGE FLOOR			$11.90
eacher w/o G.E.	$11.11	$11.65	**$12.00**
NE YEAR WAGE FLOOR			$12.10
WO YEAR WAGE FLOOR			$12.20
HREE YEAR WAGE FLOOR			$12.30
OUR YEAR WAGE FLOOR			$12.40
IVE YEAR WAGE FLOOR			$12.50
'eacher w/ G.E.	$10.94	$12.15	**$12.75**
'NE YEAR WAGE FLOOR			$12.85
WO YEAR WAGE FLOOR			$12.95
HREE YEAR WAGE FLOOR			$13.05
'OUR YEAR WAGE FLOOR			$13.15
'IVE YEAR WAGE FLOOR			$13.25
laster Teacher*	$13.24	$13.85	**$14.25**
'NE YEAR WAGE FLOOR			$14.35
WO YEAR WAGE FLOOR			$14.45
HREE YEAR WAGE FLOOR			$14.55
'OUR YEAR WAGE FLOOR			$14.65
'IVE YEAR WAGE FLOOR			$14.75
ite Supervisor	$15.10	$17.05	**$17.25**
NE YEAR WAGE FLOOR			$17.35
'WO YEAR WAGE FLOOR			$17.45
'HREE YEAR WAGE FLOOR			$17.55
'OUR YEAR WAGE FLOOR			$17.65
'IVE YEAR WAGE FLOOR			$17.75
)ther Administration	N/A	$9.00	$9.00
'rogram Director		**Not Eligible for Funding**	

Number of Child Care Staff Receiving Wage Augmentation

Childcare Center

Year	Other Administrative Staff (janitors, cooks, administrative assistants, etc.)	Entry Level Teaching Assistants	Associate Teachers	Teachers without 16 General Education Units	Teacher with 16 General Education Units	Master Teachers	Site Supervisors
FY 2000-2001	27	166	87	28	56	18	31
FY 2001-2002	51	268	125	39	79	36	35
FY 2002-2003	44	259	142	41	65	37	39
FY 2003-2004	40	262	146	47	71	37	35
FY 2004-2005	42	273	143	45	71	38	42

Family Child care Teacher Assistants

Year

FY 2000-2001 N/A
FY 2001-2002 36
FY 2002-2003 38
FY 2003-2004 33
FY 2004-2005 44

City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Members: Tom Ammiano, Chris Daly, Sean Elsbernd, Fiona Ma, Jake McGoldrick

Clerk: Gail Johnson,

Thursday, March 03, 2005 **11:00 AM** **City Hall, Legislative Chamber, Room 250**

Rescheduled Meeting

NOTICE IS HEREBY GIVEN that the regularly scheduled meeting of the Budget and Finance Committee on Thursday, March 3, 2005, at 1:00 p.m. HAS BEEN RESCHEDULED TO Thursday, March 3, 2005, at 11:00 a.m. and will be held in Room 250, City Hall.

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. **050095** **[Sale of Lot 5 in Block 4357]**

Resolution authorizing a sale of land under the jurisdiction of the San Francisco Public Utilities Commission to Gaehwiler; adopting findings that the conveyance is in conformity with the City's General Plan and is consistent with the Eight Priority Policies of City Planning Code Section 101.1; adopting findings pursuant to the California Environmental Quality Act; ratifying acts and authorizing actions in furtherance of this resolution; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution. (Real Estate Department)

1/21/05, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure effective 2/7/05.

2/17/05, CONTINUED. Heard in Committee. Speakers: Steve Legnitto, Director of Property, Real Estate Division, Administrative Services Department; Harvey Rose, Budget Analyst.
Continued to 3/3/05.

2. **050121** **[Billing and Collections Revenue Maximization at DPH-SFGH]**

Supervisor Ammiano

Hearing on billing and collections revenue maximization at the Department of Public Health and San Francisco General Hospital to include, but not limited to: (1) Status of billing and collections recommendations made by the Budget Analyst in the San Francisco General Hospital audit; (2) A status report by the Controller's Office on their audit, including detail on audit objectives; and (3) A report by the Department of Public Health on revenue maximization measures implemented by the Chief Financial Officer.

1/25/05, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for consideration the week of February 21st, 2005.

1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure effective 2/7/05.

3. **050213** **[Appropriate settlement funds to fund the SFPUC Water Capital Improvement program (CIP) for the remainder of fiscal year 2004-2005]**

Mayor

Ordinance appropriating $23,687,000 of bond sales proceeds from the Water Department to fund the San Francisco Public Utilities Commission's (SFPUC) Capital Improvements Program for fiscal year 2004-05.

(Fiscal impact.)

2/8/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

4. **050189** **[Camp Mather - Fees Increase]**

Ordinance amending S.F. Park Code Section 12.01 to increase the Camp Mather cabin and tent site usage fees, amending Park Code Section 12.02 to increase the Camp Mather day use fees, and amending Park Code Section 12.03 to increase the Camp Mather meal fees and making environmental findings. (Recreation and Park Department)

1/31/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

2/14/05, CLERICAL CORRECTION. Ordinance clerically corrected by City Attorney on page 3, line 15, by adding, rather than deleting, "$16."

2/14/05, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review, and to Youth Commission for comment and recommendation.

2/23/05, RESPONSE RECEIVED. Received notice of statutory exemption from CEQA Guidelines, Section 15273(a), Rates, Tolls, Fares and Charges.

SPECIAL ORDER - 1:00 PM

5. 050308 **[State of California and Federal Budget Cuts Impact on CCSF's Budget]**
Supervisor Ammiano
Hearing on the Mayor's Budget Director's report on current information on the State of California and Federal budget cuts and their impact on the San Francisco City and County's budget.

2/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

6. 050305 **[Mayor's Budget Instructions]**
Supervisor Ammiano
Hearing on the Mayor's Budget Instructions to the Departments.

2/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day Rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Dr. Carlton B. Goodlett Place and Grove Street.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Adele Destro by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at sotf@sfgov.org

Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Destro or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY OF SAN FRAN

BOARD OF SUPERVISORS
BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 3, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: March 3, 2005 Budget and Finance Committee Meeting

Item 1 - File 05-0095

Note: This item was continued by the Budget and Finance Committee at its meeting of February 17, 2005.

Departments: Public Utilities Commission (PUC)
Division of Real Estate (DRE)
City Planning Department

Item: Resolution authorizing the sale of City-owned real property located at 849 Cesar Chavez Street on the southeast corner of Illinois and Cesar Chavez Streets, extending southeast to Michigan Street in San Francisco (Lot 5 in Assessor's Block 4357) currently under the jurisdiction of the PUC to Gaehwiler 2000 Trust and Mr. Martin Gaehwiler, Jr.; adopting findings under the California Environmental Quality Act; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.; and authorizing other actions in furtherance of this resolution.

Description: The proposed resolution would authorize the Director of Property to sell, for $290,000, an 8,862 square foot PUC-owned parcel located at 849 Cesar Chavez Street on the southeast corner of Illinois and Cesar Chavez Streets, extending southeast to Michigan Street in San Francisco (Lot 5 in Assessor's Block 4357). Attachment I, provided by Mr. Ken Chopping of DRE, is a map showing the subject City-owned property.

The subject City-owned property consists of an unimproved former railroad right-of-way crossing diagonally across the northern half of Block 4357 from the corner of Illinois Street and Army Street to Michigan Street and splits the block into three lots. The property is a former railroad right-of-way parcel deeded to the City by the Union Pacific Railroad Company. The grant deed was recorded on June 30, 1988, and the subject property is under the jurisdiction of the PUC's Clean Water Enterprise.

The proposed buyers of the subject property, which was declared surplus property by the PUC in 1999, are Gaehwiler 2000 Trust and Mr. Martin Gaehwiler, Jr. The Gaehwiler 2000 Trust is the owner of the adjacent Lot 6 in Assessor's Block 4357, a parcel which includes a 13,000 square foot industrial building. Mr. Gaehwiler holds an access and parking easement on a 1,534 square foot portion of the subject property, granted from the Union Pacific Railroad Company.

A paved portion of the subject property, consisting of 1,534 square feet, is used by Mr. Martin Gaehwiler for vehicle access and parking. According to Mr. Gary Dowd of the PUC, the PUC does not charge any rent to Mr. Gaehwiler for these uses because Mr. Gaehwiler holds an access and parking easement on this portion of the subject parcel, as noted above. The remainder of the property, consisting of 7,328 square feet, is vacant and unused.

Approval of the proposed resolution would authorize the Director of Property to execute documents in furtherance of the sale of the subject property on behalf of the Public Utilities Commission.

According to Mr. Chopping, DRE does not know for what purpose Mr. Gaehwiler, the proposed buyer, will use the subject City-owned property.

Location: 849 Cesar Chavez Street, on the southeast corner of Illinois and Cesar Chavez Streets, extending southeast to Michigan Street in San Francisco (Lot 5 in Assessor's Block 4357)

Seller: City and County of San Francisco on behalf of the PUC

Buyer: Gaehwiler 2000 Trust, by Mr. Martin Gaehwiler, Sr., Trustee, and Mr. Martin Gaehwiler, Jr.

Sale Price: $290,000. According to Mr. Chopping, the buyer has agreed to pay the Real Property Transfer Tax applicable to the sale, escrow fees and recording charges, and any other costs of the escrow for the sale.

Comments: 1. According to Mr. Dowd, after conferring with managers at the Water Pollution Control Department, he requested that the PUC declare the subject property to be surplus (See Comment No. 2) because there are no existing PUC facilities on the parcel and no future need for the property. Mr. Dowd advises that the property was originally purchased by the PUC from Union Pacific Railroad Company in 1988 as part of a larger purchase to be used for the construction of one of Clean Water Enterprise's large transport/storage sewer structures[1] at a cost of approximately $143,550, or approximately $15.95 per square foot.[2] According to Mr. Dowd, the subject property was used for staging during construction of the transport/storage sewer structure, but the structure itself was not actually placed in the parcel, and the parcel was not required for any other project use.

2. On April 13, 1999, the Public Utilities Commission approved Resolution 99-0086, declaring the subject property to be surplus to their present and future needs. In response to a Budget Analyst question as to why it has taken nearly six years to sell the property since it was declared surplus on April 13, 1999, Mr. Dowd explained

[1] According to Mr. Tom Franza of the PUC, the transport/storage sewer structures convey wastewater to the PUC's wastewater treatment plants. In dry weather, they act like normal sewers. In wet weather, when incoming flow rates exceed treatment plant capacity, they act as storage basins and hold the wastewater for treatment once the rain subsides.

[2] According to Mr. Chopping, the Board of Supervisors approved Resolution 436-88 that authorized the purchase of multiple sections of former railroad right-of-way property along Army Street (now Cesar Chavez Street). The total purchase price was $5,900,000 for 14 parcels totaling 367,347 square feet and one underground easement totaling 5,000 square feet. Mr. Chopping advises that the value of an underground easement is generally discounted by 50 percent. Therefore, the value per square foot of the original purchase can be estimated by dividing the purchase price of $5,900,000 by the 369,847 total square feet (367,347 square feet for the fourteen parcels plus 2,500 square feet for the underground easement), or $15.95 per square foot. The subject parcel was listed as approximately 9,000 square feet, and therefore the purchase price for the subject property was approximately $143,550.

that there were delays due to postponements from the Mayor's Office, heavy DRE workloads, and lengthy negotiations with the proposed buyer.

3. According to Mr. Chopping, the subject property was appraised on October 23, 2003 by Martorana-Bohegian & Company, a firm retained by DRE. Martorana-Bohegian & Company appraised the subject property at $175,000 as a separate parcel if sold at public auction and $190,000 if sold on a sole source basis to Mr. Gaehwiler. DRE did not concur with this appraisal value of $190,000 if sold directly to Mr. Gaehwiler, representing $21.44 per square foot for the 8,862 square foot parcel. Mr. Chopping advises that DRE disagreed with the $21.44 per square foot valuation because the appraisal studied sales of comparable industrial land, and found no sales for less than $48 per square foot. Attachment II, provided by Mr. Chopping, is a summary memo explaining DRE's rationale for disagreement with the appraisal by Martorana-Bohegian & Company. In the opinion of DRE, according to Attachment II, Mr. Gaehwiler, as an owner of adjacent property, could be expected to pay a premium for the subject property, although a downward adjustment is justified because the property has a long narrow shape and a portion of the property is encumbered with an easement. The Director of Property has determined that the proposed $290,000 price to be paid by the buyer, or approximately $32.72 per square foot, represents fair market value. As noted above, the buyer has agreed to pay the Real Property Transfer Tax applicable to the sale, escrow fees and recording charges, and any other costs of the escrow for the sale.

4. According to Mr. Steve Legnitto, Director of Property, the DRE has not recommended that the subject property be sold to the highest bidder through competitive bidding or by public auction. Mr. Legnitto explains that since the subject property is almost entirely surrounded by two other parcels, the appraised value is "believed" to be higher if the subject property is sold directly to the owner of an adjacent property on a sole source basis, rather than to attempt to sell the property through competitive bidding or by public auction to the highest bidder. Mr. Legnitto advises that the DRE notified the owner of Lot 4 in Assessor's Block 4357 as to the potential sale of the

subject property. Lot 4 is the only other property adjacent to the subject property, other than Lot 6, which is the property owned by Mr. Gaehwiler, the proposed buyer. Such notification was by a letter of March of 2000 to inform the owner of Lot 4 of the City's intention to sell the subject property and to inquire if the owner had any interest in acquiring the parcel. On November 14, 2000, the owner of Lot 4 informed the PUC by letter that it had no interest in acquiring the subject property. On November 1, 2004, DRE sent a letter to owners of all properties within 300 feet of the subject property, including the owner of Lot 4. Mr. Legnitto advises that no responses to this second letter were received. Mr. Legnitto advises that there is no City policy requiring when a City-owned property must be sold through competitive bidding or by public auction to the highest bidder. Such a decision is based on a recommendation by the Director of Property, subject to approval by the Board of Supervisors.

5. The subject property is within an M-2 Heavy Industrial Zoning District and 80-E Height and Bulk District. According to Mr. Larry Badiner of the City Planning Department, future development of the property may be suitable for residential or industrial use, which is the predominate type of use within the South Bayshore District.

6. On October 28, 2003, the City Planning Department found that the proposed sale of the subject property is (a) consistent with the City's General Plan and the Eight Priority Policies under Planning Code Section 101.1, and (b) categorically exempt from environmental review under the California Environmental Quality Act because it has no potential for causing a significant effect on the environment.

7. On September 14, 2004, the Public Utilities Commission approved a resolution authorizing the sale of the subject City-owned property.

8. According to Mr. Carlos Jacobo of the PUC, the $290,000 to be realized from the subject proposed sale of property will accrue to the Clean Water Unappropriated Fund Balance.

9. As previously noted, Mr. Legnitto advised that there is no City policy requiring when a City-owned property must be sold through competitive bidding or by public auction to the highest bidder. Such a decision is based on a recommendation by the Director of Property, subject to approval by the Board of Supervisors.

Administrative Code Section 23.3 - the Conveyance of Real Property, states as follows:

> *The Board of Supervisors may authorize* [a Conveyance of Property] *by resolution without advertisement, public auction, or Competitive Bidding Process if it determines that an auction or Competitive Bidding Process is impractical or impossible, including, for example only and not by way of limitation, when the Real Property is not capable of independent development, will be exchanged for other Real Property, or when the Board determines that a negotiated direct Conveyance of the Real Property will further a proper public purpose.*

In fact, Mr. Legnitto has advised the Budget Analyst that the subject property "is capable of independent development, although it is unlikely since this would not be an efficient or highest and best use for the land."

In the professional judgement of the Budget Analyst, the explanation provided by the Director of Property in Comment No. 4 to sell the property on a sole-source basis, without obtaining competitive bids or without selling the property at public auction, is not a convincing justification that meets the requirements of Administrative Code Section 23.3, as stated above.

As previously noted, Mr. Legnitto stated that the appraised value of the subject property is "believed" to be higher if the subject property is sold to the owner of the adjacent property. However, only a competitive process would confirm that such a belief is correct.

Therefore, if the subject City-owned property is sold directly to Gaehwiler on a sole source basis, without conducting a competitive bidding process or a public

auction where the property would be sold to the highest bidder, under Section 23.3 of the Administrative Code, the Board of Supervisors must now determine that a negotiated direct Conveyance of the Real Property will further a proper public purpose. Therefore, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors since achieving the public purpose of the proposed property sale, which is to obtain the maximum amount of revenues for the City, is uncertain.

10. In response to the Budget Analyst's comments, Mr. Legnitto submitted a memorandum (Attachment III), stating, "In our professional opinion, and as a practical matter, there is no other realistic potential buyer for this property at an amount equal to or greater than the current agreement sale amount of $290,000. The City's independent appraisal only indicated a value as a stand alone parcel of $175,000, $115,000 less than what Martin Gaehwiler Jr. has agreed to pay. The negotiations with Mr. Gaehwiler were difficult and lengthy. In the event the City held an auction, Gaehwiler would be the only bidder at $290,000; should he choose not to bid, the city could be forced to conclude the auction without a sale. The minimum bid at a future auction would be less."

11. As a result of inquiries made by the Budget and Finance Committee at its meeting of February 17, 2005, the Budget Analyst researched issues related to a Muni-owned parcel which is located across the street from the subject parcel which is located at 849 Cesar Chavez Street. According to Mr. John Fong of Muni, Muni is currently in the competitive bidding phase for the proposed Metro East Light Rail Maintenance and Operations Facility (Metro East Facility) Project, located across the street from the subject 849 Cesar Chavez Street parcel. The Metro East Facility Project is targeted for completion by early 2008. Attachment IV is a map showing the location of the proposed Metro East Facility.

Mr. Fong advises that the current proposed Muni parcel for the Metro East Facility will be located on approximately 13 acres bounded by 25th Street, Illinois Street, Cesar Chavez Street, and Louisiana Street. The facility will be used for the storage and maintenance of

initially 80 light rail vehicles (LRVs). The proposed Metro East Facility will support the operation of the Third Street Light Rail Line and will also relieve overcrowded conditions at Muni's other light rail storage and maintenance facilities (Geneva Facility, Green Division Facility, and Green Annex Facility) located at San Jose and Geneva Avenues. The proposed Metro East Facility will be staffed with Muni employees, although the Muni staffing level for the Metro East Facility is uncertain at this time, according to Mr. Fong.

As part of the current proposed Metro East Facility Project, in addition to the construction of structures and paved lots within the approximately 13 acres, there will be (a) reconstruction of 25th street and its sidewalks from 3rd Street to Louisiana Street and (b) partial repaving of Cesar Chavez Street from 3rd Street to Michigan Street.

The Budget Analyst notes that the Third Street Light Rail line and the proposed current Metro East Facility Project have the potential to impact surrounding land values, although the extent of such potential impact is unknown. As previously noted, the proposed Metro East Facility Project scope includes the partial repaving of the section of Cesar Chavez Street that borders a portion of the subject property located at 849 Cesar Chavez Street. Further, the additional Muni employees who are anticipated to work at the proposed Metro East Facility could potentially bring economic growth to the area, including opportunities for service establishments such as retail stores, cafes, and restaurants. Finally, the price of property surrounding the Third Street Light Rail line is generally anticipated to rise in the future.

Given that there is uncertainty concerning (a) the degree to which the Third Street Light Rail line corridor and the Muni's proposed East Metro Facility will impact the price of the subject property, if at all, and (b) if the proposed property sale on a sole-source basis will achieve the public purpose of obtaining the maximum amount of revenues for the City, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

12. Based on the additional information obtained (see Comment No. 11), Mr. Legnitto has advised that he agrees with the Budget Analyst's observation that property values should appreciate along the Third Street Light Rail line and that nearby business establishments may experience an economic benefit from the potential influx of Muni employees. Mr. Legnitto noted, however, that "industrial land values in the immediate area have been subject to some fluctuation over the past several years, but have remained relatively stable." Mr. Legnitto further added that most property in the City "will experience value appreciation over the next several years, as is the nature of real estate." Mr. Legnitto advised that "As stated previously, the subject property bisects two private property parcels. It has always been Real Estate Division policy to offer such surplus property to the adjoining property owners first, prior to disposition by any other method."

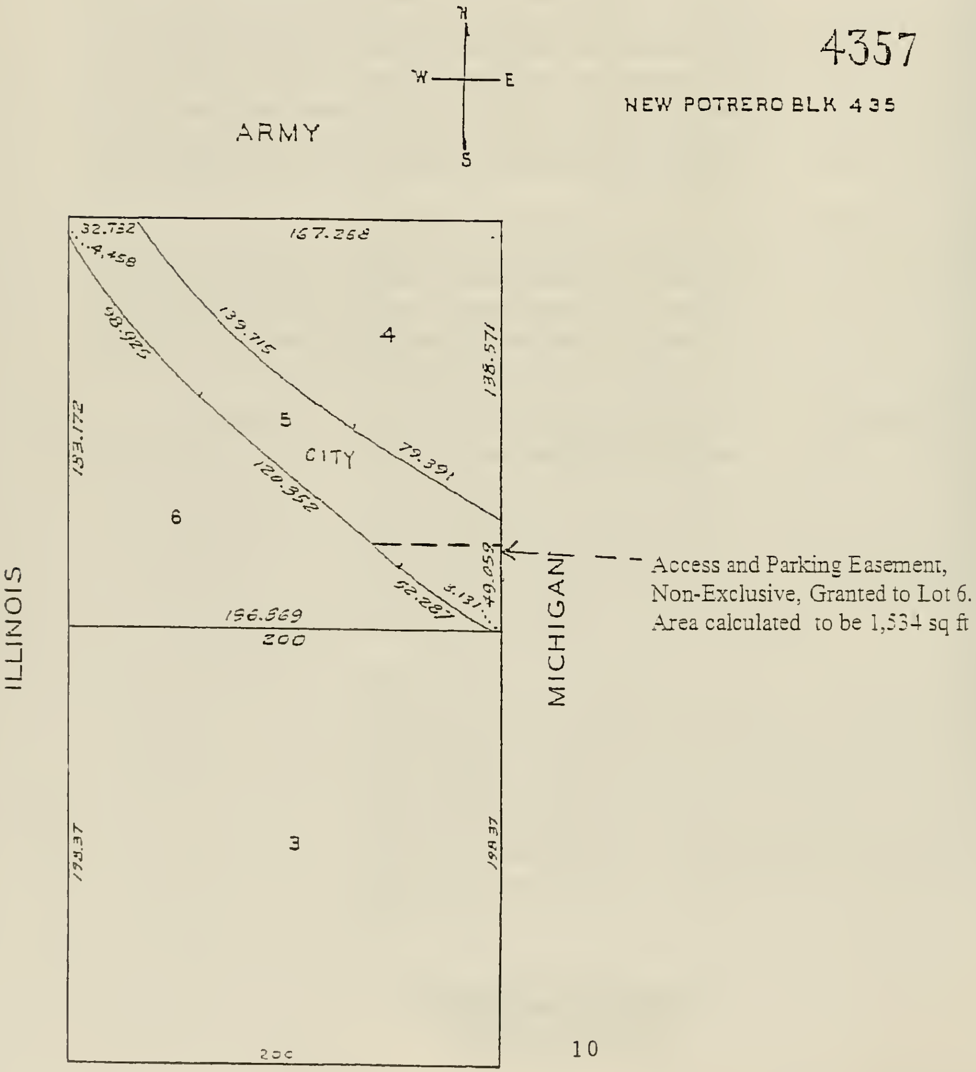
Mr. Legnitto stated that he concurs with the Budget Analyst's recommendation that the proposed sale of this property is a policy matter for the Board of Supervisors. However, Mr. Legnitto further states that "...we strongly recommend a direct sale" in this particular case.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

EXHIBIT A

DESCRIPTION OF PROPERTY

No.	Block/Lot	Location	Project Area (s.f.) *
	4357/5	Illinois Street to Michigan Street	Not determined



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by: Ken Chopping
DRE

Appraisal Oct. 23. 2003 by Martorana-Bohegian & Co. for Lot 5 Block 4357

Appraisal Value of Lot 5: $175,000 as separate parcel
$190,000 for sale to owner of Lot 6

Highest & Best Use of Lot 5: As separate parcel: small industrial building or storage/parking lot
As addition to Lot 6: small industrial building or vacant yard.

Valuation:

Direct Sales Approach-Land:
7 sales of industrial land were used as comparable sales. Those ranged from $48 to $133 per sq ft and 4 ranged from $48 to $75.66. The appraiser adjusted those and derived a value of $50 per sq ft. Then that was discounted to $20 per sq ft.

Direct Sales Approach-Buildings:
The appraiser reviewed sales of properties that had extra, vacant land. Value was $1,650,000 for Lot 6 property (Gaehwiler)

Income Approach:
The appraiser reviewed buildings as investments and determined that Lot 6 property had a value of $1,660,000.
$1,650,000 was given as value of Lot 4

Combined Value of Lot 4 and Lot 5:
The appraiser determined that the value of the Gaehwiler property would be $1,840,000 with the addition of Lot 5.

Summary: The appraiser deducted the first value of $1,650,000 from $1,840,000 and gave a value of $190,000 to Lot 5 for addition to Lot 6. That represents a value of $21.43 per sq ft for Lot 5.

Real Estate did not agree with the appraisal value of $190,000 for sale to Gaehwiler as no sales were found below $48 per sq ft for comparable industrial land (excluding sale #7 which was not a true market sale of usable land). Sale L-4 in appraisal was at $75.56 per sq ft and appraiser adjusted it down as he believed that buyer paid a premium as he owned the adjacent property. A downward adjustment is justified but, in the opinion of Real Estate, Gaehwiler, as an owner of adjacent property, can likewise be expected to pay a premium for Lot 5. Some downward adjustment from area land value ($50 per sq ft) is justified for the long narrow shape of Lot 5 and the fact that a portion is encumbered with an easement. But it is usable for parking and storage and has value to Lot 6.

City and County of San Francisco

Real Estate Division
Administrative Services Department

Steve Legnitto
Director

MEMORANDUM

Via E-Mail

DATE: February 10, 2005

TO: **Harvey Rose**
Budget Analyst

FROM: **Steve Legnitto**
Director

SUBJECT: **Board of Supervisor's File 05-0095, Public Utilities Direct Sale Of Property To Martin Gaehwiler Jr.**

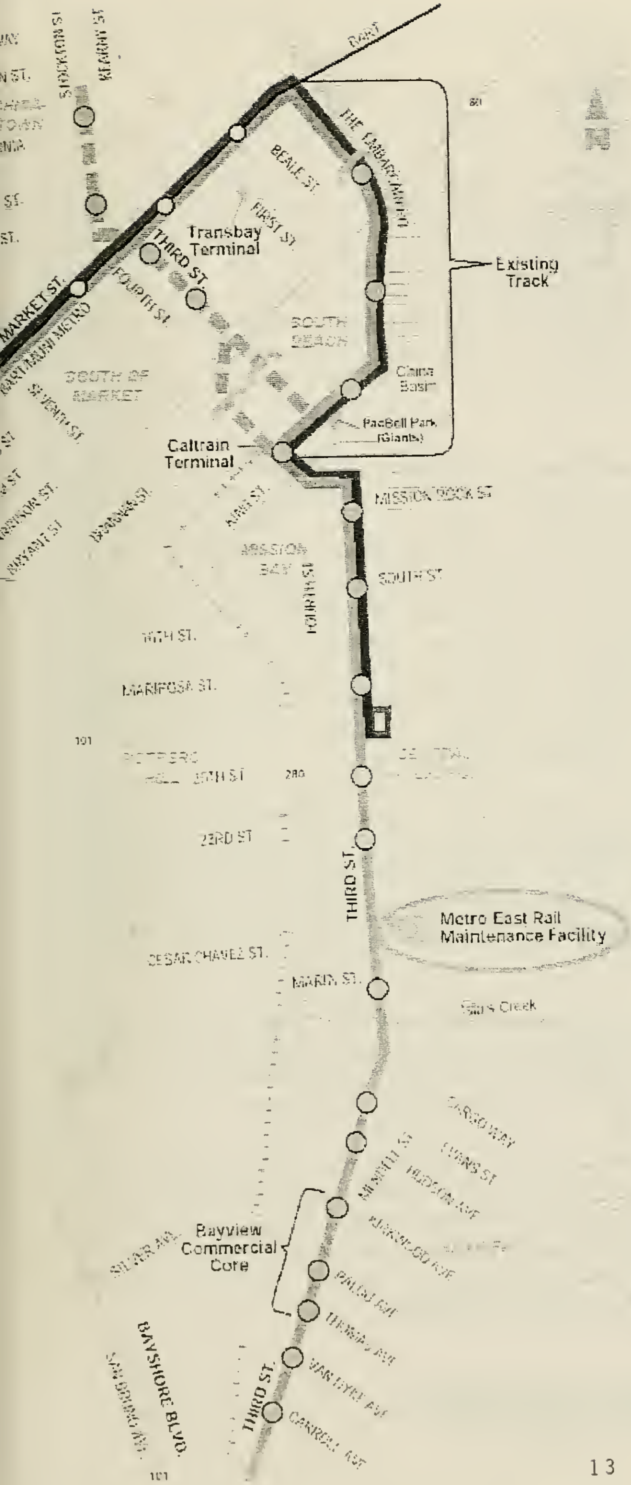
It is the responsibility of the Real Estate Department to advise the Mayor, Board of Supervisors and other City Departments regarding real estate, and possible real estate transactions. In an effort to maximize the value that the City receives for this particular property, our recommendation will remain that this property should be sold directly to Mr. Martin Gaehwiler Jr. directly, rather than proceeding with a public auction sale.

In our professional opinion, and as a practical matter, there is no other realistic potential buyer for this property at an amount equal to or greater than the current agreement sale amount of $290,000. The City' independent appraisal only indicated a value as a stand alone parcel of $175,000, $115,000 less than what Martin Gaehwiler Jr. has agreed to pay. The negotiations with Mr. Gaehwiler were difficult and lengthy. In the event the City held an auction, Gaehwiler would be the only bidder at $290,000; should he chose not to bid; the city could be forced to conclude the auction without a sale. The minimum bid at a future auction would be less.

We agree with the Budget Analyst that this decision is a policy matter for the Board of Supervisors, and again, we strongly recommend approval of a direct sale.

(415) 554-9850
FAX: (415) 552-9216

Office of the Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102


BART
MARKET ST.
THIRD ST.
FOURTH ST.
BEALE ST.
FIRST ST.
Transbay Terminal
THE EMBARCADERO
SOUTH BEACH
SOUTH OF MARKET
Existing Track
PacBell Park (Giants)
Caltrain Terminal
MISSION ROCK ST
SOUTH ST
MISSION BAY
FOURTH ST
16TH ST.
MARIPOSA ST.
23RD ST
THIRD ST.
Metro East Rail Maintenance Facility
CESAR CHAVEZ ST.
Bayview Commercial Core
BAYSHORE BLVD.
THIRD ST.

Item 2 - File 05-0121

This item is a hearing to consider billing and collections revenue maximization at the Department of Public Health (DPH) and San Francisco General Hospital, including (1) the status of the implementation of the billings and collections recommendations made in the Budget Analyst's March 2003 *Management Audit Report of the Financial Management and Operating Expenditure Controls and Practices of San Francisco General Hospital*, (2) a status report by the Controller's Office on their DPH revenue maximization audit to be conducted this spring, including details on audit objectives, and (3) revenue maximization measures implemented recently by the Chief Financial Officer of DPH.

This report to the Budget and Finance Committee, prepared by the Budget Analyst, addresses the status of the implementation of the billing and collections recommendations made by the Budget Analyst in the Budget Analyst's *Management Audit Report of the Financial Management and Operating Expenditure Controls and Practices of San Francisco General Hospital* issued to the Board of Supervisors on March 18, 2003. The *Management Audit of the Financial Management and Operating Expenditure Controls and Practices of San Francisco General Hospital* contained a total of 16 findings, including four findings and the related recommendations which pertain specifically to billing and collections at San Francisco General Hospital. These four findings and recommendations are included as Attachment I to this report.

The four findings include 16 recommendations made by the Budget Analyst which encompass major areas of billing and collections at San Francisco General Hospital. Included are findings and recommendations related to Monitoring Billings and Collections (Section 5), Billing Exceptions (Section 6), Management of Third Party Payer Payment Denials (Section 7), and Monitoring Uncompensated Care Recovery Services (Section 8).

The Department of Public Health concurred with 11, or approximately 68.8 percent, and disagreed with 5, or 31.2 percent, of the Budget Analyst's 16 specific recommendations. Subsequently, DPH has partially implemented one of the Budget Analyst's recommendations with which it initially disagreed.

Attachment II provides the current implementation status of the 16 recommendations as reported by DPH. Of the 11 recommendations made by the Budget Analyst, which were concurred with by DPH, DPH has fully implemented three of the recommendations and partially implemented or is in the process of implementing another six of the recommendations. DPH has not addressed the implementation of the remaining two recommendations.

The Budget Analyst continues to recommend that DPH fully implement all of the recommendations made in the management audit report.

5. Monitoring Billing and Collections

- San Francisco General Hospital does not sufficiently analyze the Hospital's process for billing and collections, and as a result, Hospital management does not have a comprehensive understanding of all the variables impacting collection of patient accounts. Although the Patient Financial Services Division has developed specific codes to identify reasons for adjustments, or "write-offs", to uncollectable accounts, the Patient Financial Services Division combines several reasons for writing off accounts into one code. For example, the Patient Financial Services Division has one code, which totaled $8.5 million in write-offs in FY 2001-2002, to identify two different reasons for writing off Medicare accounts: (a) one because the service for which the Hospital was billing was not covered under Medicare; and (b) the other because of Hospital procedural issues. Therefore, Hospital managers are unable to track the exact reasons for writing off $8.5 million.

- The Patient Financial Services Division uses summary reports of accounts receivables and collections to monitor overall performance and numerous detailed reports of account balances and activity to monitor individual unit performance. However, performance cannot be evaluated by using only one or two measures or through cursory reviews of detailed transactions and balances.

- The Patient Financial Services Division should set up formal monitoring of billing and collections and expand the monitoring to include a comprehensive reporting package of performance measures. The Patient Financial Services Division should analyze these measures regularly to establish goals and objectives, and report the results to the Hospital's Executive Administrator and Director of Finance. If the Patient Financial Services Division improves its reporting and monitoring of billing and collections, then the Division will be able to identify areas requiring performance improvement, resulting in more timely and increased collection of outstanding bills.

Historical Background

Patient Financial Services, which is responsible for the billing and collections of patient accounts, has seen significant changes during the past several years. In the 1990's and prior years, the Hospital had a long standing relationship with an outside vendor, Health Management Systems (HMS), to perform many of the billing and collections functions and civil service staff were used only to process self-pay accounts for patient charges not covered by third parties. With increasing pressure to reduce costs and make efficiency improvements, coupled with poor vendor performance, a decision was made by Hospital management to bring all of the billing and collections functions in-house. The Hospital engaged their financial system vendor, Strategic Services Group SMS, to perform an assessment of current practices and their report entitled "Revenue Cycle and Systems Review Assessment" was issued in May 2000.

Since that assessment, several key financial management positions have turned over, including the Hospital's Finance Director, Controller, and the Director of Patient Financial Services. In addition to transitioning to in-house processing of billing and collections, these new managers are addressing a number of significant deficiencies that effect the billing and collections process. Many of these deficiencies are addressed in detail in Section 6 of this report.

Current Monitoring Practices

San Francisco General Hospital's financial management team uses a variety of tools and the professional experience of its management staff to monitor the performance of its billing and collection function and to identify areas for improvement. Management regularly reviews a number of reports produced by the Invision financial system, prepared manually, or provided by the contractors responsible for specific components of the billing and collection process. Further, Patient Financial Services is able to produce specialized reports on an as needed basis. In addition to reporting, the financial management team relies upon an open communication style at all levels to facilitate identifying and resolving problems. According to management, employee morale has improved significantly in the last few years under the new management team.

Overall Performance

Patient Financial Services primarily uses two measures to monitor the overall performance of the billing and collection function. The Director of Patient Financial

Services regularly monitors cash collections and accounts receivable, including accounts receivable days outstanding (AR Days) and aged receivables. Cash collections are an important measure of actual revenues that the Hospital realizes and of cash flow. Accounts receivable reflects the extent to which patient accounts are being financed by the City and County of San Francisco, while an aging of accounts receivable identifies collection trends. Finally, AR Days represents the average length of time that the Hospital must wait after providing services before receiving cash. It is one of the major tools hospitals use to measure billing and collection performance.

The Director of Patient Financial Services uses this data and information to gauge how the Division is performing relative to historical measures and her own knowledge of industry standards. For comparative purposes, Table 5.1 provides selected data from historical Invision financial system reports.

Table 5.1

Selected Performance Measures

	As of 6/30/00	As of 6/30/01	As of 6/30/02
AR Days	122.7 days	84.1 days	74.4 days
Accounts Receivable	$141.7 million	$116.5 million	$110.9 million
Annual Collections	$116.0 million	$130.4 million	$141.6 million

Source: Invision financial system report "Administrative Operating Summary – Daily"

The reports suggest that significant improvements have been made in the past two years. AR Days have decreased 48.3 days or 39 percent from 122.7 AR Days to 74.4 AR Days and the dollar value of total accounts receivable has decreased $30.8 million or 22 percent. Annual collections have increased $25.6 million or 22 percent.

A review of the detail, provided by Patient Financial Services' manually prepared Monthly AR Summary report, which segregates inpatient accounts receivables into the various billing and collection stages, allows some insight into these improvements. Most of the improvement in inpatient accounts receivables is the result of decreases in the number of receivables in collection and decreases in unbilled accounts due to incomplete diagnosis coding. Improvements in outpatient accounts receivables, however, cannot be characterized because outpatient accounts are not segregated into the various stages of the billing and collection cycle.

While clearly there has been improvement in accounts receivables and collections, measures shown in Table 5.1 alone do not provide a comprehensive picture of billing and collection performance. There is underlying information and data that impact accounts receivables and collections due to causes other than improved performance. Accounts receivables and collections are the product of several variables, including services provided, patient rates, and adjustments to patient charges, including adjustments for per diem rates or other pre-established payment structures, bad debt, and charity care.

Adjustments to Patient Charges

The most significant variable is adjustments to charges because it poses the greatest risk in terms of dollar amount and management control. Such write-offs have no financial benefit to the Hospital. Contractual adjustments refer to variances between charges for services and what is expected to be collected based on either contractual agreements with commercial payers or pre-established payment structures for Federal and State programs such as MediCal and Medicare. Bad debt refers to payments that should be collected, but are not after reasonable collection attempts have been made. Bad debts primarily relate to individual persons responsible for patient charges or commercial payers. Finally, charity care refers to variances between charges for services and what is collected due to forgiveness of the liability because of a patient's inability to pay based on financial circumstances.

A cursory analysis of adjustments to receivables, shown in Table 5.2, roughly shows that total adjustments have increased $112.1 million or 39 percent from fiscal year 1999-2000 to fiscal year 2001-2002. Charity care, which is only a fraction of total write-offs, has increased by 35 percent. Bad debts, also a fraction of total adjustments, were relatively stable. Write-offs specific to contractual agreements with commercial payers or payment structures for Federal and State programs are not summarized by Patient Financial Services.

Table 5.2

Summary of Adjustments to Accounts Receivables

	FY 1999-2000 (in millions)	FY 2000-2001 (in millions)	FY 2001-2002 (in millions)	Percentage Change Over Two Years
Total Adjustments	$285.6	$382.3	$397.6	39%
Bad Debt	27.0	27.3	26.7	-1%
Charity Care	61.0	86.9	82.5	35%

Source: Invision financial system report "AR – Transaction Summary"

According to management, adjustments, especially those related to Medicare and MediCal contractual adjustments, are monitored by General Accounting, not Patient Financial Services. However, Patient Financial Services does review the monthly detail of adjustments, which are comprised of 183 individual codes, for reasonableness. Further, a manual report is prepared and utilized by Patient Financial Services and the Finance Director to monitor bad debt.

Of the 183 adjustment codes, several codes do not necessarily meet the definition of the routine adjustments identified above, e.g. contractual, charity care, or bad debt adjustments. These adjustments typically capture write-offs caused by a variety of performance or processing issues. Some of these adjustments are detailed in Table 5.3 below. According to management, Patient Financial Services created at least three new codes in the last two years to track adjustments due to operational issues. One new code was created to track write-offs caused by missing diagnosis codes. Another code was created to track write-offs caused by errors in physician identification numbers (UPINs). Both of these issues are discussed in detail in Section 6 of this report. Prior to being segregated, these adjustments were combined with the Medicare uncollectable accounts adjustment code. This adjustment code captures any adjustments to Medicare charges that are not contractual adjustments. According to management, these write-offs may be caused either by procedural issues which result in the Hospital no longer being able to pursue collection or by the determination that the service provided was not billable and could not be shifted to an alternative payer. However, the distinction between the two causes is not made by tracking them in one adjustment code. In fiscal year 2001-2002, this adjustment code totaled $8.5 million in write-offs.

Table 5.3

Selected Adjustments to Accounts Receivables

	FY 1999-2000	FY 2000-2001	FY 2001-2002	Percent Change Over Two Years
Administrative Adjustment	\$130,152	\$159,263	\$594,732	357%
Liability Accounts Adjustment	235.259	322,960	353,757	50%
Missing Diagnosis Adjustment	n/a	73,778	359,858	—
Physician Identification Adjustment	—	—	1,917,251	—

Source: Invision financial system report "AR – Transaction Summary"

Because they are not easily categorized and can be used as a catchall for write-offs, these types of adjustments are at greater risk for being unsubstantiated or uncontrolled. Table 5.3 provides detail of additional two adjustments identified during the audit, "Administrative" and "Liability Accounts" adjustments. Each adjustment increased substantially over the last two fiscal years and resulted in a total of \$948,489 (\$594,732 + \$353,757) written off in fiscal year 2001-2002.

Write-offs have a significant impact on accounts receivable and can provide valuable insight in billing and collection performance. Adjustments should be summarized and analyzed, at a minimum, by meaningful categories. A reasonableness check of 183 individual adjustment codes is not sufficient to provide a clear and comprehensive understanding of adjustments, especially over time. Further, adjustments caused by performance or processing issues should be segregated, analyzed and closely monitored. Fully understanding adjustments and their trends over time will enable Patient Financial Services to identify excessive write-offs and performance issues.

Patient Rate Increases

Another variable that impacts both accounts receivable and collections is patient rates. Total patient charges increased \$108 million or 25 percent from \$429 million in fiscal year 1999-2000 to \$538 million in fiscal year 2001-2002. While services provided, including patient days, are a component of total charges, rate increases were substantial, including approximately 10 percent in July 2000, 15 percent in January 2001, and 12 percent in July 2001. Despite stable MediCal and Medicare

reimbursement rates, which typically would reduce collection rates as gross charges increased, the total collection rate also remained stable at 26 to 27 percent during this time.

By factoring in these variables, then, the overall performance of Patient Financial Services can be assessed. Table 5.4 analyzes the changes in relevant measures over the last two years and indicates that there has been an overall improvement in performance.

Table 5.4

Analysis of Overall Patient Financial Services Performance Using the Change in Select Performance Measures Between Fiscal Year 1999-2000 and FY 2001-2002

Changes in Variables from FY 1999-2000 to FY 2001-2002	In millions
Patient Charges	$108
Less: Collections	26
Adjustments	112
Net Change in Accounts Receivable (1)	$(31)

(1) Variance due to rounding.

Individual Unit and Staff Performance

One integral component to monitoring the performance of the billing and collection function is how individual units and staff performance is measured and monitored. Supervisors are responsible for monitoring the performance of their staff and do so through the use of numerous Invision financial system and manually prepared reports that primarily reflect either detailed account status or summary transactions, i.e. bills processed, returned, or corrected. The emphasis is on monitoring MediCal and Medicare billing and collections because they comprise the greatest component of both billings and collections.

Additionally, Patient Financial Services manually prepares a report of accounts receivable called the Monthly AR Summary. In this report, inpatient accounts receivables are segregated into discrete measures by placement of the receivables at various stages in the billing and collection process. The report provides substantial information on the flow of accounts through the billing and collection process and can provide valuable insight into performance issues within the various units of Patient Financial Services. This report and some of these issues are discussed in further detail in Section 6 of this report.

The Monthly AR Summary provides detail only for inpatient accounts and not outpatient accounts. Accordingly, there is no mechanism to systematically analyze the outpatient billing and collections process. Management states that providing such a report for outpatient accounts is not feasible given the volume of outpatient accounts processed each month. However, much of the outpatient billing and collection process is automated and should be easily captured through system reports. The data and information that would enable management to assess the performance of its outpatient account processing includes the measures of bills withheld for various reasons, bills in the automated edit process, the efficiency of collections, etc. This data and information, if provided by payer and monitored over time, would be a valuable tool for management to identify weaknesses in its processes and opportunities for improvement.

Need for a More Structured Reporting Format

This discussion is not intended to discount the significant improvements made by Patient Financial Services in the last two years to improve the billing and collection function. This discussion is intended to explain the complexities of the hospital billing and collection function. The trends identified in this analysis are reflective of any number of significant changes to the billing and collection process, systems, or regulatory and payer requirements. The current reporting structure does not clearly isolate and identify billing and collection performance issues. Performance cannot be evaluated simply by measuring only accounts receivables and collections or through cursory reviews of detailed transactions and balances. There is an intermediate level of analysis and reporting which is missing from Patient Financial Services that should provide a clear and comprehensive understanding of the billing and collection process.

Suggested Reporting Package

Patient Financial Services should create and maintain a formalized performance measurement program that establishes metrics for both the billing and collection

processes. Reporting should include internal measures of performance, which use data and information specific to the Hospital and compares it to historical as well as expected performance. The reporting package should also include external measures that compare the Hospital's performance with other hospitals and industry averages.

Internal Measures

Patient Financial Services should develop a reporting package that is routinely prepared, analyzed, reviewed and discussed among management and staff. To enhance management's current monitoring of the billing and collection process, Patient Financial Services should isolate, monitor, and analyze the following additional data and information:

- Monthly AR Days for outpatient receivables by stage in the collection process, similar to how AR Days are presented for inpatient receivables
- Monthly AR Days by payer category or other meaningful sub-category if appropriate (i.e. different MediCal programs)
- Quarterly adjustments to accounts receivables summarized by meaningful category such as contractuals, bad debt, charity care, or other sub-category and detailed quarterly adjustments to accounts receivable for non-routine write-offs and adjustments segregated to analyze operational problems
- Monthly collection amounts and collection rates by payer category or other meaningful sub-category if appropriate (i.e. large commercial payers)
- Quarterly aging of receivables by payer category or other meaningful sub-category if appropriate (i.e. large commercial payers)

The Invision financial system currently maintains the level of detail to provide most of these measures. However, clearly, obtaining the summarized data and information in a desirable format will require programming resources. Because Patient Financial Services currently is working with the system vendor in its transition to bring all billing and collections functions in-house, it is an opportune time to assess and augment the current system reporting package so that it is applicable to the new processes

External Measures

Patient Financial Services relies informally upon industry benchmarks to gauge its own performance. This process should be formalized by establishing benchmarks from comparable institutions and by performing quarterly analysis. Resources for such data and information are available from a common source. The Office of Statewide Health Planning and Development (OSHPD) provides measures such as total accounts receivable days outstanding, collection ratios by major payer categories, gross and net revenues per day, adjustments by major payer categories, etc. SMS, in its May 2000 report, compared San Francisco General Hospital to data provided by the Hospital Accounts Receivable Analysis, another industry benchmark. SMS' comparison reviewed total accounts receivable days, days in Medical Records, days from discharge to billing, aging accounts receivable, adjustments as a percentage of gross revenues, open accounts per collector, and staffing levels. Patient Financial Services should review these resources and develop a comprehensive performance measurement package that will assist them in monitoring their operations.

By strengthening the tracking, analysis and reporting of key performance measures, Patient Financial Services will have the ability to improve the efficiency and effectiveness of its billing and collection function. This in turn will result in increased revenues, cash flow, and savings from the more efficient use of resources. Because Patient Financial Services is bringing the billing and collection function in-house, now is a critical time to establish such a performance measurement program. Without one in place, the Hospital will be unable to determine the success of this endeavor. Accordingly, the performance measurement program should be established in conjunction with the transition and be implemented by June 30, 2003.

Conclusions

There have been significant changes and challenges in Patient Financial Services over the last several years that have impacted the billing and collection function and its performance. Current monitoring efforts rely upon the use of a few key metrics and the professional experience of management staff. However, given the complexities of hospital billing and collections, these do not present a sufficient representation of the underlying processes to draw conclusions about performance of billing and collections as a whole or for its various components. This inhibits the ability of management to identify process deficiencies or opportunities for improvements.

Recommendations

San Francisco General Hospital's Patient Financial Services division should:

5.1 Establish a systematic approach, including a reporting package by June 30, 2003, to monitor overall billing and collection performance by developing:

   i. Enhanced internal measures as detailed in the body of this report, and

   ii. External measures benchmarked against comparable hospitals.

5.2 Analyze the performance measurements, beginning June 30, 2003, either monthly or quarterly as appropriate, and use the resulting conclusions to establish goals and objectives for management and staff.

5.3 Submit quarterly status reports, beginning June 30, 2003, to the Executive Administrator and the Director of Finance on the achievement of the goals and objectives as measured by the specific, quantifiable performance data established above.

Costs and Benefits

By strengthening the tracking, analysis and reporting of key performance measures, the Patient Financial Services division will have the ability to improve the efficiency and effectiveness of its billing and collection function. This in turn will result in increased revenues, cash flow, and savings from the more efficient use of resources.

6. Billing Exceptions

- As of June 30, 2002, San Francisco General Hospital had $45.2 million in outstanding accounts receivables for inpatient charges, of which $13.8 million, or approximately 30.6 percent, were outstanding due to delays in billing. Although $2.3 million of the $13.8 million, or approximately 16.7 percent, resulted from authorization delays by MediCal and other third party payers, $11.5 million, or approximately 83.3 percent, resulted substantially from Hospital employees' failure to enter patient information into the system on a timely basis or failure to provide the needed supporting documentation for bills submitted to third party payers.

- As of October 2002, San Francisco General Hospital had $10.8 million in outstanding accounts receivables for outpatient services due to exceptions in the routine billing process, including data input errors by Hospital employees, billing for services not covered by the third party payers, or requests from third party payers for additional information which was not provided by Hospital employees.

- The Hospital does not adequately track outpatient accounts receivables and does not adequately monitor the rate of exceptions to the routine billing process. The Patient Financial Services Division should analyze the outpatient billing and collection cycle, identifying exceptions to the routine billing process, and setting up data collection mechanisms. The Patient Financial Services Division should then analyze both inpatient and outpatient exceptions to the routine billing process to determine how billing processes can be improved in order to minimize these exceptions, and to ensure that bills are processed correctly with all required information the first time through the billing cycle.

- Of the $45.2 million outstanding account receivables for inpatient charges, approximately $24.5 million, or 54 percent, are accounts that have not been billed because MediCal has not yet determined the patient's eligibility. To follow-up on problematic pending MediCal accounts, San Francisco General Hospital contracted with an outside vendor, Health Advocates, in February 2002 to replace a prior vendor, Paralign, whose contract terminated in April 2001. San Francisco General Hospital should analyze exceptions to the routine billing process for these accounts to identify improvements in the billing process and reduce the outstanding accounts receivable balance.

The billing and collection cycle is an important, yet complex process, resulting in over $141.6 million in patient revenues in fiscal year 2001-2002. Billing procedures vary depending upon the type of service provided as well as the type of payer responsible for the patient's charges. Patient Financial Services has separated its billing function into an outpatient unit and an inpatient unit. Because of the relative importance of inpatient billings, which comprised 70 percent of patient charges in fiscal year 2001-2002, Patient Financial Services focuses its attention on inpatient services by using manual procedures up-front before billing occurs. Typically, six days after discharge, a bill for inpatient services is automatically produced by the billing system. However, the system does not currently produce bills for inpatient services for which a diagnosis has not yet been input by the Medical Records Division, even after six days. This processing issue is discussed in further detail later in this section.

Once the bills are produced, either in paper or electronic format, billing staff will review the account and determine whether the supporting documentation, such as required attachments or proper authorization, is in order. If not, staff will annotate the account in the system and proceed to follow up or notify the responsible party. Once all paperwork is in order, the bill is forwarded to the payer.

Due to higher volume and lower amounts due per bill, outpatient services are billed in a highly automated manner. Outpatient bills are produced by the billing system 15 days after services have been provided. As with inpatient billings, the system will not currently produce bills if a diagnosis has not yet been input for services received. Once the bills are produced in paper or electronic format, either daily, weekly or monthly depending upon the payer, the majority of bills are sent directly to fiscal intermediaries, which provide edits of the data submitted and then forward clean bills to the payer. Patient Financial Services staff manually processes any exceptions noted during the edit process conducted by the fiscal intermediaries.

In addition to separating billings for inpatient and outpatient services, procedures also vary depending on the payer responsible for the patient charges, such as MediCal, Medicare, commercial insurance companies, patient self-pay, and so on. For example, commercial insurance and Medicare inpatient bills are produced daily, all MediCal bills are produced once a week, and Medicare outpatient bills are currently produced monthly. Additionally, different payers require different supporting documentation. For example, Medicare requires additional paperwork that demonstrates that there is no other responsible payer for the patient charges. These procedural variations make billing in hospitals much more complex than billing functions in other environments such as the manufacturing or other service industries.

However, even in a hospital environment, billing procedures like any other business process should be structured so that they are systematic and automated to the

greatest extent possible. Manual intervention should be required only when there are exceptions to routine activity. For purposes of this report, billing exceptions have been defined as variations in what would otherwise be routine bill processing procedures resulting in billing and collection delays.

Billing exceptions result in a number of negative effects. Clearly, billing and collection delays result in reduced cash flow, which impacts the Hospital's cash position and increases financing costs for extended receivables. Delays in billing and collection efforts also decrease total revenues. Collection rates are greater if the bills are sent early and collection efforts commence sooner after discharge. Not only is the medical visit fresh for self-pay patients, timely billing implies that prompt payment is expected for all payers. Extreme billing delays can even result in payment denials due to statute of limitations imposed by third party payers. Finally, billing exceptions result in substantial rework that utilizes scarce employee resources. While to an extent there will always be some billing exceptions, the goal is to minimize these exceptions so that accounts receivables are brought to a low and stable level.

Historical Context of Billing at San Francisco General Hospital

As noted previously, San Francisco General Hospital has experienced significant turnover in key financial positions during the last few years, including the Chief Financial Officer, the Controller, and the Director of Patient Financial Services. Prior to the arrival of current financial management staff, the Hospital was experiencing difficulties managing its patient revenues. Total accounts receivable in June 2000 was $141.7 million and accounts receivable days outstanding, an industry measure of performance, was at 122.7 days, indicating poor accounts receivable management. An extensive "Revenue Cycle and Systems Review Assessment" conducted by SMS, an external consultant, concluded in a report dated May 2000 that San Francisco General Hospital's accounts receivable and accounts receivable days outstanding were extraordinarily high when compared to industry standards. Further, the report stated "Processing backlogs are so extensive that the facility staff is unable to effectively manage the current activity and the backlog concurrently," despite staffing levels equal to or exceeding national averages.

Since new management has been established, significant billing deficiencies have been identified and progress has been made on process improvements. These issues include compliance problems with Health Management Systems, the external vendor charged with processing billings, operational weaknesses in Medical Records, and front-end data entry issues with departments and clinics providing services. Management claims that identifying these issues and subsequent process

improvements have resulted in improved performance. Accounts receivable in June 2002 were $89.0 million and accounts receivable days outstanding was at 74.4 days, a decrease within approximately two years of $30.8 million in accounts receivable and 48.3 days in accounts receivable days outstanding.

However, significant billing exceptions to routine processing remain. By systematically analyzing these exceptions and the supporting processes, performance can be enhanced, resulting in the collection of more revenues, in a more timely manner, and using fewer resources.

Inpatient Billing Exceptions

One of the major tools hospitals use to measure billing and collection performance is accounts receivable days outstanding, which measures the average number of days after billing that collection occurs. The Hospital's report of accounts receivable days outstanding, the "Monthly AR Summary," provides detail of inpatient charges throughout the billing and collection cycle. Patient Financial Services also produces and reviews this report on a weekly basis. Table 6.1 provides the status of inpatient accounts receivable days outstanding throughout various stages in the cycle and the relative proportion of receivables in each stage.

Table 6.1

Monthly AR Summary
Inpatient Accounts Receivable Days Outstanding

	As of 8/31/00 (1)		As of 6/30/01		As of 6/30/02	
	Days	%	Days	%	Days	%
Charges for Patients Not Yet Discharged	9.7	13%	10.4	22%	7.4	16%
Charges for Discharged Patients Not Yet Billed	12.0	17%	6.4	13%	7.3	15%
Pending Unbilled Charges (2)	19.9	27%	14.0	29%	22.8	47%
Billed Claims Returned for Additional Info	1.0	1%	1.0	2%	0.2	0%
Accounts in Follow Up (Collections)	30.4	42%	16.3	34%	10.4	22%
Total Inpatient Accounts Receivable	73.0	100%	48.1	100%	48.1	100%

Source: Patient Financial Services Monthly AR Summary reports
(1) Report not produced prior to this date.
(2) Includes accounts not billed due to uncertain MediCal status, lack of treatment authorization by the Utilization Review Division, or other authorizations or documentation not yet received.

As the table demonstrates, there have been some significant changes in accounts receivable during the last two years. Overall, there has been a significant decrease in inpatient accounts receivable days outstanding from 73.0 days to 48.1 days, a 34 percent decline. Most of the decrease, however, is due to a reduction in accounts in collections or "follow up" after billing has occurred. Therefore, these receivables are not necessarily being delayed as billing exceptions.

In the Monthly AR Summary, the audit has identified three stages in the inpatient billing process that denote considerable billing exceptions:

- Charges for Discharged Patients Not Yet Billed
- Pending Unbilled Charges

- Billed Claims Returned for Additional Information

Accounts receivable for these three stages totaled $45.2 million and 30.3 accounts receivable days outstanding as of June 30, 2002, representing 63 percent of total inpatient accounts receivable and accounts receivable days outstanding. While these stages will always contain some accounts receivable purely based on the flow of processing, the flow into and out of these stages is under the control of management. The stages, which can be separated into even more detailed procedural components, are discussed below.

Charges for Discharged Patients Not Yet Billed

Charges for discharged patients that have not yet been billed are split into those accounts that are less than six days from discharge and those that exceed the scheduled six day threshold for when accounts should be ready for billing. The six-day period allows clinics and departments to get all relevant charges, diagnoses, and other information input into the system. Those accounts that exceed the six-day threshold signify billing exceptions.

This area has received significant attention by Patient Financial Services during the past two years. Former management set the threshold at 15 days. In December 2000, the threshold was reduced to nine days and, in October 2001, it was reduced further to six days, which is in line with the industry standard of approximately 5.7 days.[1] Because of this changing benchmark, there is insufficient data to look at detailed trends over the last two years. However, overall, this category has seen a decrease in accounts receivable days outstanding of 4.7 days, from 12.0 days to 7.3 days, while continuing to maintain a relatively constant percentage of total accounts receivable days outstanding. This indicates that while performance improvements have been made in this category, such improvements are consistent with the improvements realized for the entire process.

Since October 2001, the value of accounts over six days has fluctuated significantly, from $1.1 million in October 2001 to $4.7 million in February 2002 to $4.0 million in June 2002. While review of the monthly trend since August 2000 appears to be long term improvement, data since October 2001 indicates a possible deterioration in performance. One explanation may be that as Patient Financial Services' initial efforts at reducing these exceptions has waned, Medical Records is no longer as diligent at getting this required information into the system. Patient Financial

[1] Zimmerman & Associates, Revenue Cycle Consulting Group, "2002 Best Practice of Revenue Cycle Operations Report."

Services should analyze the recent increase in exceptions to determine where the process is deficient and the Finance Department should develop controls such that these exceptions are minimized.

Pending Unbilled Charges

Pending unbilled charges reflect a significant number of billing exceptions. As shown in Table 6.1, the total category has fluctuated over the last two years and accounts for a large proportion of accounts receivable days outstanding, having increased from 27 percent of total accounts receivable as of 8/31/00 to 47 percent as of 6/30/02. Pending unbilled charges are comprised of the following categories:

- Pending MediCal eligibility approval
- Pending treatment authorization from the Utilization Review Division
- Pending receipt of other supporting documentation

Of these categories, pending MediCal eligibility approval is the most significant, accounting for approximately 72 percent of pending unbilled exceptions as of 6/30/02. This category increased accounts receivable days outstanding by approximately two days during the last two years. Pending treatment authorization and pending receipt of other supporting documentation make up seven percent and 21 percent of pending unbilled exceptions, respectively. While these two categories have been widely variable, they have generally trended downward over the past two years.

Pending MediCal Eligibility Approval

The largest component of accounts receivable days outstanding is accounts that have not been billed because eligibility for MediCal has not yet been determined. MediCal eligibility is assessed by the Eligibility Unit of Patient Financial Services. For accounts that are problematic for one reason or another, an external vendor is utilized for further assessment and follow up. After a lengthy bidding process, the Department of Public Health recently contracted with a new vendor, Health Advocates, to provide these services. However, because the transition from the previous vendor, Paralign, to Health Advocates was lengthy and contentious, the Hospital was forced to perform this function in-house from May 2001 through January 2002. In February, accounts began to be transferred to Health Advocates for processing.

An analysis of the accounts receivables pending MediCal eligibility reflects a number of changes that have occurred over the last two years.

Table 6.2

Pending MediCal Eligibility Approval
Accounts Receivable and Accounts Receivable Days Outstanding

	Paralign	SFGH	Health Advocates	Total	AR Days
As of 8/30/00	$14,014,165	$3,170,380	—	$17,184,545	14.4
As of 6/30/01	7,119,988	4,436,722	—	11,556,710	8.3
As of 6/30/02	827,880	11,940,188	11,706,853	24,474,921	16.4

Source: Patient Financial Services Monthly AR Summary reports

First, Paralign greatly reduced outstanding accounts receivables in fiscal year 1999-2000. According to management, Paralign closed a significant number of accounts between August and December of 2000 and became more aggressive in its processing of accounts after Hospital management noted its poor performance and due to the pending expiration of its contract.

Second, in July 2001, Patient Financial Services began to report patient accounts pending MediCal eligibility at the full patient charge amount. Previously, the accounts were reported net of contractual adjustments. This resulted in a gradual inflation of account receivables. Adjusting for this reporting change, receivables for accounts pending MediCal eligibility were stable from 6/30/01 to 6/30/02.

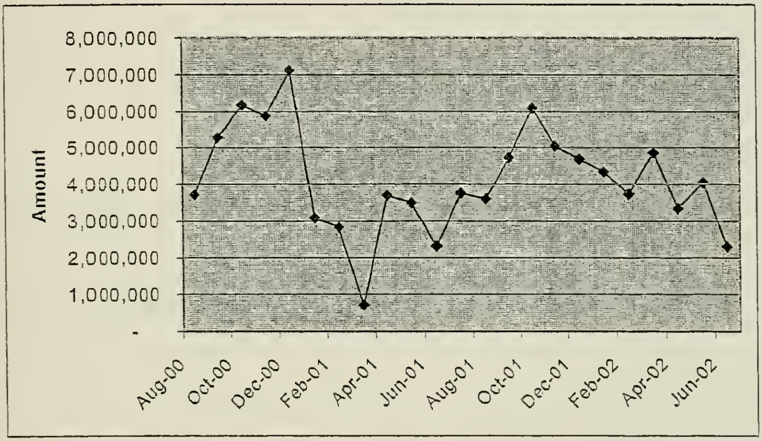
Overall, pending MediCal eligibility accounts processed by San Francisco General Hospital increased from an average of 17 percent of total accounts when Paralign was the contractor, as measured from August 2000 through April 2001, to 49 percent as of June 2002. While this increased percentage may be the result of the commencement of the Health Advocates contract only five months prior, management reports that it takes approximately five to six months for Health Advocates to process these accounts from identification to payment. Accordingly, by June 2002, accounts should be approaching a stabilized level. Further, management's goal is to process approximately 66 percent of pending Medical eligibility accounts in-house. The monitoring of Health Advocates and Patient Financial Services Eligibility and Registration Division performance is discussed in detail in Section 8. Clearly, these accounts have a significant impact on total accounts receivables and they should be analyzed to identify areas where processing may be delayed or otherwise deficient.

Pending Treatment Authorization from the Utilization Review Division

Inpatient billings may also be delayed due to delays in receiving proper authorization for services. A major component of this is MediCal authorizations coordinated by the Utilization Review Division and provided by MediCal field nurses. According to the Monthly AR Summary, these delays have fluctuated significantly, but averaged $4.1 million in accounts receivable and 3.0 days in accounts receivable days outstanding between August 2000 and June 2002. See Chart 6.1 for the historical trend over the last two years.

Chart 6.1

Pending Treatment Authorization



Source: Patient Financial Services Monthly AR Summary reports

The Utilization Review Manager reported that typically there are 80 to 100 cases waiting for a MediCal review. Generally, MediCal field nurses are on sight two days a week to complete their reviews. However, they typically focus on review of current and open cases which are concurrently being reviewed by the Hospital's own Utilization Review staff. When the backlog starts to increase, the Manager will request that MediCal provide additional field nurses to review closed cases.

As of October 18, 2002, there were a total of 128 closed cases totaling $3.8 million waiting upon a medical chart review for treatment authorization. While not all of these cases pertain to MediCal field nurses, according to staff in Patient Accounting, a majority represents MediCal cases. After our inquiry, Utilization

Review requested and obtained an additional field nurse review on October 23, which resulted in a drop of backlogged cases to 79 cases and $2.4 million in outstanding accounts receivables. Depending upon the variation in the regular weekly review of open cases, it appears that the extra field nurse review was able to reduce the backlog by approximately 49 cases and $1.4 million in one day.

In order to decrease the residual backlog of 80 to 100 cases, Utilization Review should make a one-time request of an additional day of MediCal field nurse reviews. Further, Utilization Review should decrease its threshold for backlog to what a field nurse can reasonably review in one day's visit. While this may vary from field nurse to field nurse, it has been reported that field nurses do not necessarily remain on sight for a full day and a lower threshold would not necessarily be inappropriate. On the low end, which is supported by the last review, it appears that 50 cases could reasonably be handled in one day. By reducing the threshold, the Hospital would immediately release approximately $1.5 million from accounts pending treatment authorization. However, it should be noted that not all of this amount will be realized as revenue, since there may be MediCal denials, which require either an appeal or a write-off to bad debt.

Pending Receipt of Other Supporting Documentation

This category represents billings that are delayed for further documentation or authorization. According to the Monthly AR Summary, these delays have averaged $5.4 million in accounts receivable and 3.8 days in accounts receivable days outstanding between August 2000 and June 2002. However, for the first six months of 2002, the delays are increasing, averaging $6.3 million in accounts receivable and 4.2 accounts receivable days outstanding. Each account is annotated in the system identifying the reason for the delay. However, at this time, this detailed information is not systematically reported and analyzed. It is recommended that Patient Financial Services track and monitor this data and analyze its components to determine how these exceptions can be minimized.

Billed Claims Returned for Additional Information

Finally, the Monthly AR Summary provides data on accounts receivables where bills have been returned and collections have been delayed because additional information is required by the payer. According to the Monthly AR Summary, this amount has decreased to $254,906 in accounts receivable and only 0.2 accounts receivable days outstanding as of June 2002. This category has seen a precipitous drop since it reached its two-year high of 1.9 accounts receivable days outstanding in November 2001. This finding indicates that bills are complete before they are sent for payment.

In summary, Patient Financial Services has a valuable tool for assessing inpatient billing exceptions, the AR Summary Report. Management states that the AR Summary report is reviewed weekly for reasonableness. However, the data and information provided is not systematically analyzed over time and proactively utilized to address process issues related to billing exceptions.

Outpatient Billing Exceptions

Unlike inpatient accounts receivable, there is no management report that provides the detail of outpatient accounts receivable. While the front end of the billing and collection process is more automated for outpatient than inpatient charges, overall the billing and collection cycle is the same and many of the billing exception issues noted for inpatient accounts receivable also apply to outpatient charges, such as accounts pending MediCal eligibility. There are several significant areas in the outpatient billing process that have experienced problems. While the emphasis of the Hospital is on inpatient billings, outpatient billings, which comprised 30 percent of total charges, still realized over $39 million in revenues in fiscal year 2001-02. Further, given the issues discussed in detail below, this amount appears to be less than optimum revenue collections.

No Diagnoses Recorded in System

According to Patient Financial Services, one of the main reasons that outpatient accounts may not be billed timely is due to a lack of a diagnosis being recorded in the system, which is required for payment by third party payers, (i.e. MediCal, Medicare, and commercial insurance companies). These exceptions are caused by either procedural or system problems. Historically, accounts would be forwarded to billing even without the diagnosis coding, and billing staff would provide a generic diagnosis in order to commence billing. However, this practice, for liability purposes, was stopped by the current Patient Financial Services Director and instead these accounts are held until appropriate diagnoses are entered by qualified clinic or departmental staff. Patient Financial Services started monitoring these exceptions weekly in May 2002 and, at that time, there were a total of $3.2 million in charges with no diagnosis code. Monthly reports are now forwarded to the clinics and departments for follow up.

Recognizing this as a major issue and an impediment to the timely production of billings, a continuous quality improvement (CQI) committee was formed in February 2002 with the goal of analyzing the process and making recommendations

for improvements. A report of recommendations was issued in May and, at that time, the Diagnostic Coding Task Force was created to address implementation issues. Task Force members include management representatives from Patient Financial Services, Information Systems, the Compliance Department and several Hospital clinics such as the Laboratory and Radiology. Presently, the Task Force is using one problematic clinic as a pilot project and concurrently working with clinic physicians across the organization to address their concerns about procedural issues. Clinics and departments as well as Hospital management, including the Executive Administrator, receive monthly no diagnosis statistics. However, there is no formal reporting on the Task Forces' progress.

Physician and clinic participation are critical to ensure billings are accurate and timely. Yet, physicians have little incentive for procedural improvements in the billing function and paperwork oftentimes is a very low priority when the mission of the Hospital is to provide care, regardless of cost. With the establishment of the Task Force and the inclusion of physicians and clinic staff in the improvement process, the Hospital has made significant strides toward improving this area of the billing process. However, as of October 14, 2002, there were a total of $4.2 million in charges with no diagnosis code, an increase of approximately $900,000 since these charges began to be tracked in May 2002. Clearly, with many issues yet to be resolved and Task Force recommendations not yet implemented, the full effects of this effort remain to be seen. This issue should remain a top priority for Hospital management and the Task Force should continue to actively pursue implementing the recommendations of the CQI committee. Further, implementation status, process improvements and no diagnosis exceptions should be reported monthly to the Hospital's Executive Administrator in a formalized report.

MediCal Outpatient Billing Exceptions

Weekly, MediCal outpatient billings that have exceeded the 15 day waiting period, and that are not held back for some reason, are forwarded to Health Management Systems (HMS), an outside vendor, for processing. This transfer of data occurs for most billings before any manual review by Hospital staff. HMS edits the bills provided, forwarding clean billings to MediCal for payment and returning any billing exceptions to the Hospital for resolution. Exceptions may occur for one of three reasons:

1. Error in the data submitted

2. Provided services are not covered

3. Additional documentation or information required

There are two staff assigned to following up on these exceptions. Typically, they have one or two days before the files are again processed by the weekly download to HMS. According to the Director of Patient Financial Services, bills that are deemed by the edit process conducted by HMS to not be covered by MediCal are cursorily reviewed and then routinely submitted again for processing with the expectation that MediCal will deny payment. By obtaining a MediCal denial, Patient Financial Services is able to write-off the patient charges as charity care, which is partially offset by State funding. Patient Financial Services receives monthly reports from HMS that provide statistics on MediCal outpatient billing exceptions. Included in the HMS reporting package is the exception rate for new claims processed, a subset of all claims being edited each week. Since HMS first started reporting the exception rate in October 2001, it has remained relatively constant and averaged 29.3 percent. Additionally, HMS provides a report that presents monthly exceptions segregated by the staff person responsible for the account. This report also includes several categories of exceptions that have been segregated by Patient Financial Services for tracking and monitoring, such as no diagnosis recorded in the system and hard copy bill required to be sent. Other than these exceptions, causes for exceptions are not routinely identified, tracked and analyzed to determine procedural causes.

However, the Hospital does obtain a system report that provides detail on the causes of all exceptions identified by the edit process. While historical reports are not maintained by Patient Financial Services, one weekly exception report dated 10/23/02 was obtained for analysis, and exceptions were coded to one of the three categories by the Director of Patient Accounts. As shown in Table 6.3, analysis of the week provided indicates that 43 percent of exceptions were due to errors in the initial data submitted by the Hospital. Forty percent of exceptions were due to further documentation or information required by MediCal. Finally, 17 percent were due to expected MediCal denial of services provided by the Hospital.

Table 6.3

MediCal Outpatient Billing Exceptions

Reason	Amount	Count	Percent
Data Errors	$2,854,663	7,536	43%
Provided Services Not Covered	1,131,847	5,330	17%
Additional Information	2,622,773	7,151	40%

Source: Health Management Systems Medi-Cal Outpatient Inventory Report

In each of the categories, there were a small number of reasons that accounted for the majority of the exceptions. For Data Errors, there were six exception explanations that accounted for 75 percent of the total data errors. The explanations were primarily comprised of invalid or missing data, including diagnosis, procedure, quantity, place of service, and even patient sex. Invalid quantity, distinct from quantity being greater than the maximum allowed, is the largest grouping, totaling $807,547, but only 304 errors. Patient sex missing or invalid, an obvious data error, accounted for $203,935 and 379 errors. Place of service code missing accounted for $160,330 and 2,021 errors.

Three Provided Services Not Covered exceptions accounted for 74 percent of that category. The exceptions include procedures not payable for date of service ($308,036 and 1,300 errors), Short Doyle diagnosis not billable ($262,713 and 614 errors), and quantity is greater than maximum allowed ($262,513 and 679 errors).

Finally, five explanations account for 73 percent of exceptions due to additional documentation or information required. The largest of these exceptions at $754,242 and almost 3,000 errors is the result of missing Treatment Authorization Request (TAR) numbers. An additional $154,349 and 642 errors are due to missing TARs specific to occupational therapy, audiology and speech services. Two of the largest exception groupings are related to required itemization and information on administered or injection drugs, totaling $775,877 and 742 errors.

In all, the weekly report identified over 20,000 exceptions from a total batch of 8,857 claims. Clearly, any given claim can have several exceptions and one correction may resolve multiple exceptions. However, the report does not provide statistics on the number of claims or the dollar amount from the batch that were rejected.

MediCal outpatient billing exceptions should be tracked and monitored by cause. Significant exceptions in terms of dollar amounts as well as volume should be investigated in all exception categories including Provided Services Not Covered. According to management, MediCal outpatient accounts are not billed if exceptions, other than Provided Services Not Covered, have been identified. However, these result in delays for which small procedural changes may result in significantly improved performance. Further, the large number of exceptions related to data errors indicates that complete and accurate information is not being input into the system up-front. It is recommended that Patient Financial Services develop front end process improvements, especially in the departments and clinics where these errors are occurring or in high volume, MediCal outpatient departments.

Medicare Outpatient Billing Exceptions

Medicare outpatient billings, like other outpatient billings are produced after the 15-day waiting period. Once bills are created by the system, a data file is transferred to an HMS sub-contractor, which edits the file ensuring that the information submitted is sufficient for payment. Then, the clean billings are electronically forwarded to Medicare for payment. Any exceptions are followed up by staff in Patient Financial Services. According to Patient Financial Services management, unlike MediCal, there are few eligibility issues or requests for additional documentation.

However, Medicare outpatient billings are another area where Hospital management has identified significant processing problems. Medicare requires a unique, pre-certified identifier of the physician providing care. The Hospital's data files of physician identification numbers have not been maintained, resulting in significant errors when billings are forwarded for payment. While the data files are the responsibility of the Information Systems Division, Patient Financial Services is extensively impacted as a user of the data. Because of this issue and the billing errors that result, Medicare outpatient billings are processed only once a month. Ideally, the files would be processed daily as billings reach the 15-day threshold.

A task force led by the Compliance Department has been established to address this issue. Currently, the Hospital is in the process of purging the files of bad data. Additionally, they have made system improvements that may also reduce exceptions, such as linking medical residents or interns to attending physician identification numbers. Further, the task force is establishing a process to control access to and provide annual reviews of system tables. The error rate has decreased from 65 percent in March 2002 to 48 percent in June and to 24 percent in October 2002. The actions of the Hospital in addressing this issue are appropriate and require no further recommendations other than to move forward so that Medicare outpatient accounts can be billed daily as they pass the 15 day threshold.

In summary, the Hospital and Patient Financial Services utilize a variety of reports to monitor outpatient billings in general. Further, management has identified two significant issues in outpatient billing processing and they are addressing those issues with enhanced tracking and monitoring. However, outpatient billing exceptions are not comprehensively tracked, monitored, and analyzed over time. Patient Financial Services does not have a mechanism in place to capture outpatient billing exceptions as they occur through the billing and collection process similar to that created for inpatient billings. Section 5 of this management audit report recommends that the Monthly AR Summary provide the same level of detail for outpatient billings as it does for inpatient billings. Implementation of this recommendation would provide system resources for proper management controls.

This would allow Patient Financial Services to identify areas where process improvements could make a significant impact in reducing billing exceptions.

Billing Exceptions Identified After the Billing Process

Finally, once billings have been sent and collections are being attempted, billing exceptions inevitably will be identified. For MediCal and Medicare, these exceptions would be classified by denials of payment, which is addressed in detail in Section 7 of this report. For self-pay and commercial accounts, these exceptions would be identified in the Collections Unit of Patient Financial Services. The Collections Supervisor indicated that billing exceptions are not uncommon and may consist of such errors as services were not provided or an inappropriate payer was billed. For example, the patient may have been billed when there was really a third party payer.

While the Collections Unit has staff dedicated specifically to fielding patient service calls and walk-ins, the Unit does not methodically track patient complaints or billing exceptions. Data on all patient complaints and billing exceptions should be collected, aggregated and analyzed so that, again, deficiencies in the billing process can be identified and process improvements can be made.
Management reports that the Collections Unit does not receive numerous patient complaints or phone calls and any significant patient issues are forwarded to the Patient Relations Department. Rather, management states that patient inquiries are typically for explanation or clarification of bill details. However, Patient Financial Services would benefit from tracking these types of patient inquiries as well because it would enable Patient Financial Services to enhance either the bill or the bill process to reduce patient confusion or misunderstanding.

Conclusions

Deficiencies in the billing process have been the focus of Patient Financial Services for the past two years. While some of the larger issues are currently being addressed, billing exceptions are not comprehensively tracked, monitored, and analyzed. Significant issues remain where process improvements would lead to fewer billing exceptions. Reduced billing exceptions, in turn, reduce rework, increase collections, improve cash flow, and maximize resources.

Recommendations

The Finance Department and Patient Financial Services should:

6.1 Analyze large inpatient billing exceptions identified in the Monthly Accounts Receivable (AR) Summary report monthly and develop process improvements and procedures to reduce accounts receivable balances for:

a) Discharged patients not yet billed,

b) Unbilled charges held by Paralign, Health Advocates and the Hospital pending MediCal eligibility approval, and

c) Billings pending the receipt of supporting documentation.

6.2 Develop a mechanism, such as the Monthly AR Summary, by which outpatient billing exceptions are systematically identified, tracked, and monitored monthly.

6.3 Analyze large outpatient billing exceptions identified through a monthly review of the outpatient billing process and develop process improvements to reduce billing exceptions from:

a) MediCal outpatient billings, and

b) Medicare outpatient billings.

6.4 For "No Diagnosis" billing exceptions, formally report monthly to the Hospital's Executive Administrator on no diagnosis billing exceptions, the implementation status of continuous quality improvement committee recommendations, and any process improvements.

6.5 Collect data on and monitor all patient inquiries and billing exceptions handled by the Collections Unit and prepare quarterly analyses to determine if opportunities exist for improvements to the billing process.

Utilization Review should:

6.6 Request MediCal to provide a field nurse review for one day to reduce the residual backlog of accounts pending treatment authorization.

6.7 Reduce its threshold to a backlog of 50 accounts pending treatment authorization to prompt a request for an additional field nurse review.

Costs and Benefits

The costs of developing a billing exception monitoring program would include the staff time required to initially develop the reports, periodically update data and information, and analyze the results. Costs associated with any potential process improvement should be weighed against the resulting benefits. However, given the breadth of the existing weak and inadequate billing issues, benefits of such a program, which include increased revenues due to more timely collection efforts, improved cash flow, and more efficient use of resources, are likely to be substantial. Based on a two percent improvement in collections, we estimate that the Hospital would realize $2.8 million annually in additional revenues.

7. Management of Third Party Payer Payment Denials

- As a result of San Francisco General Hospital's deficient procedures in tracking, monitoring, and analyzing denials of claims sent to third party payers, including MediCal, Medicare, and commercial insurance company payers, the Hospital does not consistently identify or follow-up on third party payers' failure to pay claims submitted by the Hospital. For example, San Francisco General Hospital does not summarize and review the reasons that MediCal and Medicare deny payment of claims for inpatient and outpatient services, nor does the Hospital follow-up on the status of appeals of such denials made by the Hospital. As a result, the Hospital is unaware of underlying issues either with its own internal processes or with MediCal or Medicare payment processing. Although San Francisco General Hospital does not summarize and track denials, the Patient Financial Services Division reports that in FY 2001-2002 MediCal uncollectable accounts were approximately \$6.6 million and Medicare uncollectable accounts were approximately \$8.5 million.
- By establishing a program to manage denials, San Francisco General Hospital can address inefficient or ineffective processes, reduce reworking of claims, identify third party payer abuses, and pursue legitimate claims for payment.

With health care costs rising rapidly, third party payers are increasingly denying payment for health care services. Payments can either be fully or partially denied for several different reasons, including patient eligibility, lack of treatment authorization, clinical issues, data errors or insufficient documentation. The extent of denials is dependent upon the effectiveness of the billing process and any up-front billing edits that are completed. Further, denials are impacted by the provision of uncovered services. Once claims have been denied or underpaid, health care providers can pursue payment through established appeals processes.

Patient Financial Services Approach to Denials

Patient Financial Services commits significant resources to ensure that claims are acceptable prior to billing major third party payers, such as MediCal, Medicare, and some commercial payers. These efforts are addressed extensively in Section 6 of this report. Because of this front-end edit process, Patient Financial Services significantly reduces the number of denials that would otherwise need to be appealed due to errors in submitted information or insufficient documentation.[1] Once a claim has been billed, therefore, most denials should be caused by issues related to treatment authorization and clinical decisions.

Yet, Patient Financial Services does not have a systematic approach to denial management. Denials and appeals are not tracked. The causes and financial impacts of denials are not determined and the extent and status of appeals are unknown. Policies and procedures do not aid staff in addressing and processing either denials or appeals.

Processing Specific Third Party Payer Denials

MediCal Outpatient Charges

Patient Financial Services bills MediCal for all MediCal outpatient charges even if the edit process has identified that the claim will be denied. Based on the reason for the MediCal denial, the denied claim will either be automatically pursued through an appeals process, billed to the patient, or written-off to charity care. Patient Financial Services receives summary reports of the total of outstanding denied claims for which there has been no action taken. However, denials are not tracked or monitored by reason for the denial or by subsequent action taken.

MediCal Inpatient Charges and Treatment Authorization

Utilization Review has responsibility over obtaining appropriate treatment authorization for MediCal inpatient charges. According to Utilization Review management, there are no established policies and procedures for addressing denials of treatment authorizations. First and second appeals are pursued at the discretion of the individual case managers.

[1] For purposes of this report, denials include disputed underpayments for services, which is particularly relevant for commercial payers.

Additionally, Utilization Review does not track denials or appeals. It does track and report "recovered days" for which retroactive authorization has been received from MediCal. However, because this statistic is not measured against total denials, it is not necessarily an indicator of performance.

Medicare Errors and Rejections

Patient Financial Services reports that Medicare denials were numerous not long ago, but process improvements and front-end edits have significantly reduced errors and rejections received back from the Medicare fiscal intermediary. However, to a certain extent, errors and rejections still occur and they are noted in the policies and procedures manual as requiring follow up. They are identified weekly through a system report that is reviewed by a supervisor. Claims are then assigned to staff for follow up. Management reports that Medicare denials are minimal; however, summary data and information on these denials is not compiled or analyzed. Rather, management gauges overall performance in this area by reviewing Medicare inpatient and outpatient account receivables.

Commercial Payers

When commercial payers deny payment, the liability can be transferred to patients if the denial is based on legitimate eligibility or treatment authorization issues. However, collection rates for commercial payers are substantially higher than for self-pay accounts. To the extent that commercial payer denials are illegitimate, the Hospital would benefit from aggressively seeking payment. Yet, denials are not tracked and monitored, and their disposition is unclear.

Importance of Managing Denials and Appeals

In an environment of increasing costs and decreasing revenues, the Hospital must focus its attention on ensuring its operations are efficient and effective, especially in revenue generating functions. According to health care consultant Zimmerman & Associates, denials are a growing problem in the health care industry.[2] The consultant claims that although 90 percent of denials are preventable and 50 percent to 70 percent can be recovered through appeals, health care providers do not follow up on approximately half of their denials. The Hospital does not systematically gather data and information on its own denials or appeals.

[2] Zimmerman & Associates, Revenue Cycle Consulting Group, "2002 Best Practice of Revenue Cycle Operations Report"

Accordingly, the extent to which its denials are preventable, able to be recovered, and are followed up, is unknown.

By tracking, monitoring, and analyzing denials, the Hospital can identify internal inefficiencies or third party payer abuses, reducing the risk that these issues may go undetected. Then, inefficient or ineffective processes can be addressed, rework can be reduced, third party payer abuses can be handled, and legitimate claims can be pursued for payment.

Creating a Denial Management Program

Patient Financial Services should develop a denial management program under the Director of Patient Accounts. Pertinent data and information should be collected on all denials and appeals. A database would allow in depth analysis, including the reasons for and financial impacts of denials. Appeals should also be tracked, monitored and analyzed. The information gathered should be utilized to set goals, priorities, and accountability within individual Patient Financial Services units.

Patient Financial Services should also establish written policies and procedures for the denial management program. Procedures should include how staff should address denials, how and when the appeals process should be utilized, and how and when denials should be written-off to bad debt or contractual adjustments. The policies and procedures should also include instructions on the denial management program itself, covering data collection and analysis of denial and appeal information.

Because Utilization Review does not report to Patient Financial Services, it should develop its own similar program for managing treatment authorization denials.

Conclusions

With costs rising rapidly, third party payers are increasingly denying payment for health care services. Payments can either be fully or partially denied for several different reasons, including patient eligibility, lack of treatment authorization, clinical issues, data errors or insufficient documentation. However, the Hospital does not systematically track, monitor, or analyze third party payer denials. Subsequently, the Hospital risks undetected increases in denials due to internal inefficiencies or third party payer abuses. Accordingly, the Hospital may not be maximizing reimbursements or the efficient use of its resources.

Recommendations

Patient Financial Services should:

7.1 Develop a denial management program by:

a) Assigning the responsibility and accountability for the program to the Director of Patient Accounts;

b) Collecting pertinent data and information on all third party payer denials;

c) Tracking and analyzing denials, including the determination of causes and financial impacts;

d) Tracking and analyzing appeals;

e) Utilizing the results of analyses to set goals, priorities, and accountability for individual units; and,

f) Providing quarterly status reports to the Director of Finance.

7.2 Establish written policies and procedures for the denial management program, including:

a) Data collection and analysis of denial and appeal information;

b) How staff should address particular categories of denials;

c) How and when the appeals process should be utilized;

d) How and when denials should be written off to bad debt; and,

e) How and when denials should be written off to contractual adjustments.

Utilization Review should:

7.3 Develop a denial management program by:

a) Collecting pertinent data and information on all third party payer treatment authorization denials;

b) Tracking and analyzing denials, including the determination of causes and financial impacts;

c) Tracking and analyzing appeals; and,

d) Utilizing the results of analyses to set goals, priorities, and accountability for the unit.

7.4 Establish written policies and procedures for the denial management program, including:

a) Data collection and analysis of denial and appeal information;

b) How staff should address particular categories of denials; and,

c) How and when the appeals process should be utilized.

Costs and Benefits

Minimal one-time and on-going costs will be incurred for establishing a denial management program and developing written policies and procedures. However, existing resources should be used, the savings resulting from efficiencies in the process and the resulting increased reimbursements from third party payers should significantly exceed the costs to implement our recommendations.

8. Monitoring Uncompensated Care Recovery Services

- In December of 2001, the Department of Public Health requested Board of Supervisors approval for a proposed contract with Health Advocates to assist San Francisco General Hospital in collecting unpaid inpatient hospital bills from MediCal and other third party payers for services provided to indigent patients. Under the terms of the contract, Health Advocates is to establish the patient's eligibility for MediCal, or other third party payer programs. When the Department of Public Health requested approval from the Board of Supervisors for this contract in 2001, the Department reported that the proposed would result in approximately $7.0 million annually in revenues to San Francisco General Hospital. However, the actual collection targets specified in the contract were (a) $3.8 million in calendar year 2002, which is $3.2 million or 45.7 percent less than the reported $7.0 million, and (b) $4.8 million specified in the contract for calendar years 2003 through 2005, which is $2.2 million, or 31.4 percent less than the reported $7.0 million. Actual collections from February of 2002 through October of 2002 were approximately $1.4 million, indicating that in calendar year 2002, Health Advocates did not reach the $3.8 million collection target specified in the contract for 2002 or the $7.0 million target.

- Under the contract, the Department of Public Health pays Health Advocates based on a declining fee schedule, which provides less of an incentive for Health Advocates to collect more difficult accounts. However, under an inclining fee schedule, which would provide performance incentives to pursue collection of the more difficult accounts, the contractor would earn a higher fee for obtaining MediCal eligibility for more difficult accounts, motivating contractor performance. Based on the Department's estimate of $7.0 million in annual gross revenues, the Department would save $60,000 annually if the fee schedule were inclining using the same rates. If Health Advocates only generates $4.8 million annually in gross revenues as established in the contract for the collection target, then the Department would save $144,000 annually.

- Further, the Hospital's Patient Financial Services Division is not adequately monitoring the performance of Health Advocates. The Division has neither fully developed performance measures, consistently benchmarked performance to specific goals, nor trended performance over time.
- The Department of Public Health should amend its current contract with Health Advocates to reconfigure the fee structure to an inclining fee schedule. Collection targets should be revised and Patient Financial Services should improve the monitoring of Health Advocates and the Eligibility and Registration unit by improving performance measurement tools and regularly analyzing the results.

Background

The primary objective of the Eligibility and Outpatient Registration Division of Patient Financial Services is to determine who is liable for patient charges. Division eligibility workers are responsible for the follow up and completion of eligibility information and billing recommendations for all admissions to the Hospital. As part of the eligibility determination process, eligibility workers immediately assess all patients admitted to the Hospital for private insurance, MediCal or Medicare coverage. If no coverage is immediately established, they conduct interviews to determine if the patient is potentially eligible for MediCal by establishing MediCal linkage. If there is no linkage, eligibility workers will then decide if an uninsured patient needs a referral to apply for various other programs, including the City's Sliding Scale Program. The eligibility workers will complete an admission packet with required forms, recommendations, and application referrals. Admission packets are referred to the Department of Health Services MediCal Office if the patient admission packet is complete and has a positive MediCal linkage. If the patient admission packet is incomplete or has a possible MediCal linkage requiring further investigation, the admissions packet is referred to either Health Advocates or the Department of Health Services MediCal Office, depending upon pre-established referral criteria.

Health Advocates is a private contractor selected through a Request For Proposal (RFP) process in July of 2001 to provide uncompensated care recovery services to the Hospital. The vendor assists the Hospital with collecting unpaid inpatient hospital bills for services provided to indigent patients by establishing third party liability or eligibility for programs such as MediCal or Workers' Compensation. Their services include patient assistance with completing MediCal eligibility

applications. and representation and legal assistance for patients appealing MediCal decisions. The term of the contract with Health Advocates is January 2002 through December 2005.

The Department of Public Health estimated during the contract approval process that it will receive approximately $7.0 million annually in gross revenues from Health Advocates obtaining eligibility for MediCal or other third party payments. An estimated $1.2 million per year, or approximately 17.4 percent, will be paid to Health Advocates as compensation based on a declining fee schedule, as shown in Table 8.1:

Table 8.1

Health Advocates Fee Structure

Collections	Fee
$0 to $2.000,000	20%
$2,000,001 to $4,000,000	18%
$4,000,001 to $6,000,000	16%
$6,000,001 and above	14%

Source: Health Advocates contract expiring 12/31/05

Management asserts that more favorable terms were negotiated in the new contract than existed in the contract with the previous vendor. Improvements include reduced fee percentages that are applied to negotiated base amounts, which are lower than what MediCal is currently reimbursing. However, the declining fee structure, which was carried over from the previous contract, provides less of an incentive to collect difficult accounts. An appropriate fee structure in this situation would be an increasing fee schedule, where the more difficult accounts earn a higher fee, which would motivate performance. Based on the Department's estimate of $7.0 million in annual gross revenues, the Department would save $60,000 annually if the fee schedule were inclining using the same rates. If Health Advocates only generates $4.8 million annually in gross revenues as established in the contract as the collection target, then the Department would save $144,000 annually. The Department of Public Health should terminate or amend its current contract with Health Advocates and reconfigure its fee structure to an inclining fee schedule.

Monitoring Vendor Performance

Patient Financial Services should closely monitor the performance of the vendor to ensure that acceptable service is being provided, particularly since Health Advocates is a new vendor. Patient Financial Services should ensure that only appropriate accounts are being referred, collection targets are set at appropriate levels, and these targets are being achieved.

Performance Measurement

The vendor contract states that the "Contractor shall participate as requested with the City, State or Federal government in evaluative studies designed to show the effectiveness of Contractor's Services. Contractor agrees to meet the requirements of and participate in the evaluation program and management information systems of the City." A review of the original contract showed no evaluative studies were written into the contract. According to management, because the vendor contract only recently began, no evaluative studies have been designed to date. In addition, management could not describe any future plans for any evaluative studies.

Patient Financial Services reported that Health Advocates is monitored in three ways: the amount collected, inpatient days converted to MediCal or other third party payment, and account status. Patient Financial Services did not provide any documentation supporting that performance measures were used on a regular basis, consistently benchmarked to specified goals, or trended over time.

Collections

First, the contract establishes annual collection targets based on the previous vendor's actual collections. The collection targets are the actual base payments received by the Hospital prior to the deduction of vendor fees for service. The annual targets are $3.8 million in calendar year 2002 and $4.8 million in calendar years 2003 through 2005.

The Director of Patient Financial Services stated that because the contract only recently began, to date, there has been no review of Health Advocates' collection amount in comparison to the collection target. The Director advised that both the Director and the Hospital Eligibility Manager were responsible for reviewing Health Advocates' collection amounts in comparison to the collection targets. However, the Hospital Eligibility Manager appeared unaware of such a responsibility.

The collection targets were established to ensure that Health Advocates maximizes revenues for the Hospital. However, the collection targets in the contract are much less than the $7.0 million estimated annual collections provided by the Department of Public Health when the contract was approved. According to the October 2002 Health Advocates invoice, collections to date were approximately $1.4 million. It is unlikely the Health Advocates will reach the $3.8 million target as specified in the contract or the $7.0 million asserted by management for 2002. While the variance may be due to delays in the receipt of collections, this appears to have been considered in the contract target, as the 2002 target is substantially lower than the targets for subsequent years. Further, delays in start up do not appear to be an issue given that accounts began to be referred in February 2002.

Targets should be revised based on analysis of total expected referrals and other relevant data and information, such as historical experience. Without a systematic monitoring of collections compared to realistic collection targets, this basic measure of performance is unknown. Patient Financial Services should, on a monthly basis, review Health Advocates collection amounts prior to the deduction of contingency fees, and investigate any anticipated variations from the annual target amount.

Inpatient Days Converted to MediCal or Other Third Party Payment

Currently, the Hospital monitors inpatient days converted to MediCal or other third party payment by preparing what is called the Financial Class 3 Report. The Financial Class 3 Report shows the monthly conversion of inpatient days to MediCal or other third party payment by Health Advocates, the prior vendor and the Department of Health Services. Management states that the total days converted by Health Advocates is compared monthly to a benchmark of 440 days, which was reportedly the previous vendor's highest monthly level. However, this benchmark is not included in the contract.

The Financial Class 3 Report does not compare inpatient days converted to MediCal or other third party payment with the total inpatient days referred to Health Advocates. Information on total referrals, if included, would allow management to better gauge the performance of Health Advocates. Total referrals would allow the Patient Financial Services to not only monitor workload, it would also allow ratio analysis, which would show if changes in the number of days converted were the result of fluctuating referrals. An example of such a report is provided in Table 8.2. This percentage rate can be compared to a target rate, such as the previous vendor's or the Department of Health Services rates, in order to measure the Health Advocates' success.

Table 8.2

Example Report: Conversion of Patient Days To MediCal or Other Third Party Payment (1)

	Total Days Referred	Total Days Converted	Conversion Rate
July	355	150	42%
August	400	300	75%
September	250	175	70%
October	285	125	44%
November	450	350	78%
December	305	75	25%

(1) Data provided in the table is for illustrative purposes only.

In addition, there is no methodical analysis or comparison between the performance of Health Advocates and the prior vendor's performance. The Hospital should revise its current reports or develop additional reports to allow for a more meaningful analysis of Health Advocates' performance.

Account Status

Finally, Eligibility and Outpatient Registration management reviews status reports of active and closed accounts. These reports provide detail on each account including patient name and number, admission and discharge date, total charges, and status or reason account was closed, if applicable. However, reports showing the status of each account referred are not summarized sufficiently to allow analysis. One of the primary purposes to review account status is to verify cases are being worked and are closed in a timely manner, because collections increase and cash flow improves the earlier billing occurs and collection is attempted. Monthly statistical analysis reports should be developed that aggregates account status into meaningful categories. For example, an aging report of referred accounts, similar to an accounts receivable aging report, would show the length of time accounts are active and, accordingly, would show the aggressiveness with which Health Advocates either works the accounts or writes them off. An example of an aging report is provided in Table 8.3.

Table 8.3

Example Report:
Aging Report of Referred Accounts (1)

	Number of Referred Accounts					
	October		November		December	
0 to 30 days	600	25%	400	16%	250	11%
31 to 60 days	440	18%	520	21%	250	11%
61 to 90 days	500	21%	480	20%	425	18%
91 to 180 days	425	18%	570	23%	860	37%
181 to 270 days	150	6%	195	8%	200	9%
271 to 365 days	200	8%	75	3%	100	4%
366 days and over	100	4%	200	8%	250	11%
Total	2,415	100%	2,440	100%	2,335	100%

(1) Data provided in the table is for illustrative purposes only.

As noted in the sections above, the three performance measures used by Patient Financial Services do not adequately evaluate the effectiveness of Health Advocates. Without timely and ongoing evaluative studies, or systematic performance measurement, there is an increased risk that the performance of Health Advocates will be unchecked and ineffective. Patient Financial Services should methodically document and review performance measures over time and against pre-established benchmarks. Further, the framework for an evaluative study should be immediately established with a specified timeline for periodic evaluations throughout the contract term.

Monitoring Referrals to the Vendor

The policies and procedures manual for the Eligibility and Outpatient Registration Division lists specific criteria for referring a patient's account to Health Advocates, such as homeless or short stay patients. Patient Financial Services tracks all referrals made to Health Advocates by acute medical and acute psychiatric categories, but does not track referrals made by more detailed categories such as by which referral criteria were met. For example, Patient Financial Services does not know how many disability-linked accounts or homeless accounts were transferred to Health Advocates or the proportion of these accounts that ultimately resulted in collections.

Without tracking such data and information, Patient Financial Services cannot monitor the performance of the Eligibility and Outpatient Registration Division or its individual eligibility workers, nor can it monitor the effectiveness of Health Advocates at processing specific categories of accounts. It is unable to determine if referrals are excessive or to determine if some cases would be more cost effective to process in-house.

Monthly, Patient Financial Services should track and monitor referrals and the number of accounts converted to MediCal or other third party payments by referral criteria. An example of the detail required for analysis is shown in Table 8.4.

Table 8.4

Example Report: Analysis of Referrals Based on Established Criteria (1)

Criteria for Referral	Disability		Homeless		Short Stay		Psychiatric	
	Days	Amount	Days	Amount	Days	Amount	Days	Amount
Total Days Referred	600	$500,000	300	$200,000	100	$75,000	250	$150,000
Total Days Converted	300	$200,000	100	$150,000	60	$50,000	200	$125,000
Conversion Rate	50%	40%	33%	75%	60%	66%	80%	83%

(1) Data provided in the table is for illustrative purposes only. Actual data is currently not available.

The results should be analyzed and compared to established benchmarks for each criterion. This analysis would allow Patient Financial Services to examine eligibility worker and Division performance, the appropriateness of the policies and procedures guidelines for making referrals to the Health Advocates, and to make adjustments when necessary. It would also allow for an assessment of Health Advocates' performance in processing specific categories of accounts and would allow for the targeted resolution of problems.

Conclusions

The Eligibility and Outpatient Registration Division of Patient Financial Services makes the initial determination of liability for patient charges. The Division follows up with patients, completes eligibility assessments, and makes billing recommendations for all admissions to the Hospital. Eligibility workers check patients for linkages to MediCal and may refer patient accounts to the Department of Health Services MediCal Office or a private contractor, Health Advocates, to apply for state and federal programs, in order to obtain third party reimbursements for uninsured patients. Referrals to Health Advocates are based on pre-established criteria.

Our review noted that vendor performance is not systematically monitored with meaningful measurement tools. Further, referrals to Health Advocates, based on the established criteria, are not tracked, inhibiting the ability of management to measure the performance of the Eligibility and Outpatient Registration Division and its individual staff.

Recommendations

The Department of Public Health should:

8.1 Amend the current contract with Health Advocates and reconfigure the fee structure to an inclining fee schedule.

The Hospital's Patient Financial Services Division should:

8.2 Improve the monitoring of the performance of Health Advocates and the Eligibility and Outpatient Registration Division by:

a) Revise collection targets and monitor actual collections monthly;

b) Revise its reports on inpatient days converted to MediCal or other third party payers to include total referrals, ratio analysis, and benchmarks; and monitor the results monthly;

c) Develop summary reports of account status, including an aging report of referred accounts, to monitor the timeliness of account resolution;

d) Track all patient account referrals and collections by specific referral criteria and analyze the results monthly;

e) Develop an evaluative study, including the measures developed in a) through d) above, with a specified timeline for periodic evaluations through the contract term; and;

f) Report the results of the evaluative studies routinely to the Finance Director.

Costs and Benefits

Minimal costs will be incurred for the development of comprehensive performance measurement tools and for the on-going monitoring of Health Advocates and the Eligibility and Outpatient Registration Division performance and existing resources should be used. Benefits potentially include improved vendor and Eligibility and Outpatient Registration Division performance, resulting in increased revenues and more timely collections. Further, by restructuring the vendor payment structure, the Hospital would save $144,000 annually based on the Hospital's current projections of vendor collections.

Section Recommendation	Management's Response	Implementation Status: Yes	Partial or In Process	No
Monitoring Billing and Collections				
San Francisco General Hospital's Patient Financial Services division should:				
5.1 Establish a systematic approach, including a reporting package by June 30, 2003, to monitor overall billing and collection performance by developing: i. Enhanced internal measures as detailed in the body of the report, and ii. External measures benchmarked against comparable hospitals.	Disagree (1)			X
5.2 Analyze the performance measurements, beginning June 30, 2003, either monthly or quarterly as appropriate, and use the resulting conclusions to establish goals and objectives for management and staff.	Disagree (1)			X
5.3 Submit quarterly status reports, beginning June 30, 2003, to the Executive Administrator and the Director of Finance on the acheivement of the goals and objectives as measured by the specific, quantifiable performance data established above.	Disagree (1)			X
(1) The following written response was submitted by the Director of Public Health: "The PFS (Patient Financial Services) department does not have sufficient personnel resources to work on formatted reporting packages for each of our operational areas and we do not feel the need exists for this from a management perspective. PFS does report to Senior Management on various aspects of the billing and collection efforts as needed. We are committed to continuous improvement and we agree that we can improve our monitoring of billing and collection. However, we do not agree with the specific recommendations or timelines suggested by the Budget Analyst. As for the submission of quarterly reports to the Executive Administrator and Director of Finance, with respect, we will determine the timing and nature of reports that we require to monitor this department's performance."				

Section	Recommendation	Management's Response	Implementation Status: Yes	Partial or In Process	No
Billing Exceptions					
	The Finance Department and Patient Financial Services should:				
6.1	Analyze large inpatient billing exceptions identified in the Monthly Accounts Receivable (AR) Summery report monthly and develop process improvements and procedures to reduce accounts receivable balances for: a) Discharged patients not yet billed, b) Unbilled charges held by Paralign, Health Advocates and the Hospital pending MediCal eligibility approval, and c) Billings pending the receipt of supporting documentation.	Agree		X	
6.2	Develop a mechanism, such as the Monthly AR Summary, by which outpatient billing exceptions are systematically identified, tracked, and monitored monthly.	Agree			X
6.3	Analyze large outpatient billing exceptions identified through a monthly review of the outpatient billing process and develop process improvements to reduce billing exceptions from: a) MediCal outpatient billings, and b) Medicare outpatient billings.	Agree		X	
6.4	For "No Diagnosis" billing exceptions, formally report monthly to the Hospital's Executive Administrator on no diagnosis billing exceptions, the implementation status of continuous quality improvement committee recommendations, and any process improvements.	Agree	X		
6.5	Collect data on and monitor all patient inquiries and billing exceptions handled by the Collections Unit and prepare quarterly analyses to determine if opportunities exist for improvements to the billing process.	Agree			X

PATIENT FINANCIAL SERVICES
BILLING AND COLLECTIONS

Section Recommendation	Management's Response	Implementation Status: Yes	Partial or In Process	No
Billing Exceptions - continued				
Utilization Review should:				
6.6 Request MediCal to provide a field nurse review for one day to reduce the residual backlog of accounts pending treatment authorization.	Agree	X		
6.7 Reduce its threshold to a backlog of 50 accounts pending treatment authorization to prompt a request for an additional field nurse review.	Agree	X		
Management of Third Party Payer Payment Denials				
Patient Financial Services should:				
7.1 Develop a denial management program by: (a) Assigning the responsibility and accountability for the program to the Director of Patient Accounts; (b) Collecting pertinent data and information on all third party payer denials; (c) Tracking and analyzing denials, including the determination of causes and financial impacts; (d) Tracking and analyzing appeals; (e) Utilizing the results of analyses to set goals, priorities, and accountability for individual units; and (f) Providing quarterly status reports to the Director of Finance.	Agree		X	
7.2 Establish written policies and procedures for the denial management program, including: (a) Data collection and analysis of denial and appeal information; (b) How staff should address particular categories of denials; (c) How and when the appeals process should be utilized; (d) How and when denials should be written off to bad debt; and (e) How and when denials should be written off to contractual adjustments.	Agree		X	

PATIENT FINANCIAL SERVICES
BILLING AND COLLECTIONS

Section Recommendation	Management's Response	Implementation Status: Yes	Implementation Status: Partial or In Process	Implementation Status: No
Management of Third Party Payer Payment Denials - continued				
Utilization Review should:				
7.3 Develop a denial management program by: (a) Collecting pertinent data and information on all third party payer treatment authorization denials; (b) Tracking and analyzing denials, including the determination of causes and financial impacts; (c) Tracking and analyzing appeals; and (d) Utilizing the results of analyses to set goals, priorities, and accountability for the unit.	Agree		X	
7.4 Establish written policies and procedures for the denial management program, including: (a) Data collection and analysis of denial and appeal information; (b) How staff should address particular categories of denials; and (c) How and when the appeals process should be utilized.	Agree		X	
Monitoring Uncompensated Care Recovery Services				
The Department of Public Health should:				
8.1 Amend the current contract with Health Advocates and reconfigure the fee structure to an inclining fee schedule.	Disagree (2)			X
The Hospital's Patient Financial Services Division should:				
8.2 Improve the monitoring of the performance of Health Advocates and the Eligibility and Outpatient Registration Division by: (a) Revise collection targets and monitor actual collections monthly; (b) Revise its reports on inpatient days converted to MediCal or other third party payers to include total referrals, ratio analysis, and benchmarks; and monitor the results monthly; (c) Develop summary reports of account status, including an aging report of referred accounts, to monitor the timeliness of account resolution; (d) Track all patient account referrals and collections by specific referral criteria and analyze the results monthly;	Disagree (2)		X	

PATIENT FINANCIAL SERVICES
BILLING AND COLLECTIONS

Section	Recommendation	Management's Response	Implementation Status: Yes	Partial or In Process	No
	(e) Develop an evaluative study, including the measures developed in a) through d) above, with a specified timeline for periodic evaluations through the contract term; and (f) Report the results of the evaluative studies routinely to the Finance Director.				
(2)	The following written response was submitted by the Director of Public Health: "The Budget Analyst recommends that we amend our contract with Health Advocates to revise the contractor's fee schedule from a declining percentage arrangement to an inclining percentage arrangement to provide a direct financial incentive to the contractor to achieve higher levels of recovery. This section also questions the amount recovered to-date as compared with earlier projections. As for amending the contract, an amendment of the fee schedule would require agreement of the parties and would re-open the contract for broader re-negotiation of terms. The fee arrangement in the agreement is standard in the industry and is consistent in design with that of the previous vendor. The existing payment rates at every level of collection provide plenty of incentive to perform. If the firm is recovering additional amounts above certain thresholds, their contingent fee percent may be lower but they have recovered all fixed expenses and are earning a higher return on investment at each stage of the contract. The more they collect, the more they are paid. Finally, it should be noted that the Budget Analyst's report on this contract, presented to the Board of Supervisors on October 31, 2001, did not suggest that there was any issue with the current fee arrangement. With respect to the first year financial recovery as compared with a DPH estimate of $7M annually for the 4-year term of the contract, that estimate was a multi-year average that would not be expected in the first year of the contract. There is a built in delay of 5-6 months from identification of a Medi-Cal eligible case to receipt of payment. It is therefore too soon to evaluate contractor performance. We remain confident that Health Advocates will meet our performance expectations over the life of the contract. Finally, we do monitor activity under this contract, which is quite easy, given that the fees paid are directly related to cash collected and their staff are on-site and on view every day.				

Item 3 - File 05-0213

Note: The Public Utilities Commission advises than an Amendment of the Whole will be introduced at the Budget and Finance Committee meeting on March 3, 2005 to reduce the amount of the proposed supplemental appropriation by $1,592,000, from $23,687,000 to $22,095,000. The Public Utilities Commission approved a lower amount of $16,279,000, which is $5,816,000 less than the $22,095,000 included in the Amendment of the Whole, having assumed that the balance of $5,816,000 in needed funds would be available through reallocations of existing project appropriations. However, according to Mr. Carlos Jacobo of the PUC, in consultation with the Controller's Office, it was determined that such reallocations should not be made. Therefore, the Public Utilities Commission is submitting an Amendment of the Whole for the needed amount of $22,095,000. According to Mr. Ted Lakey of the City Attorney's Office, the Board of Supervisors can increase the supplemental appropriation ordinance to the latest request of $22,095,000 if the Board of Supervisors wants to take such action.

Department: Public Utilities Commission (PUC)

Item: Ordinance appropriating $22,095,000 of Commercial Paper proceeds to provide funding for 32 capital improvement projects under the PUC's Water System Capital Improvement Program.

Amount: $22,095,000

Source of Funds: Commercial Paper which is a short-term debt instrument that will be refunded by Water Enterprise 2002 Proposition A Revenue Bonds in the future, once such Revenue Bonds are authorized for issuance by the Board of Supervisors.

Description: The PUC Water System Capital Improvement Program currently includes 77 capital improvement projects at an estimated total cost of $3,627,710,000. This supplemental appropriation would provide funding in the amount of $22,095,000 for 32 of the capital improvement projects.

However, as explained in Attachment I, provided by PUC, the PUC Water System Capital Improvement Program and its related total costs are under review by the Public Utilities Commission which currently anticipates (a) total

program costs increasing by $716,913,000[1] to a revised total of $4,344,623,000, (b) the deletion of seven existing projects, of which one, costing an additional $132,0000, is part of this proposed supplemental appropriation (see Comment No. 7), and (c) the addition of three new future projects which will not be funded by this supplemental appropriation.

Attachment II, provided by the PUC, shows that the proposed supplemental appropriation of $22,095,000 would fund 32 capital improvement projects, including:

- 31 ongoing capital improvement projects for which the PUC is now requesting an additional amount of $21,963,000.
- One capital improvement project, Project CUW362 Water System Automation – Hetch Hetchy, for which the PUC is now requesting an additional amount of $132,000. Mr. Jeet Bajwa of the PUC advises that, although the PUC General Manager is recommending that the Public Utilities Commission delete Project CUW362 from the PUC Water System Capital Improvement Program, this supplemental appropriation request includes $132,000 for this project (see Comment No. 7).

Attachment III, provided by the PUC, contains a list of the 31 ongoing capital improvement projects for which the PUC is requesting an additional total $21,963,000. As shown in Attachment III, the current total estimated costs for these 31 ongoing capital improvement projects, including this request of $21,963,000 is $2,401,389,000, to be expended over an approximately 13-year period, from FY 2002-2003 through FY 2015-2016. As shown in Attachment IV, the total amount budgeted to date for these 31 projects is $55,578,000. If approved, the subject supplemental appropriation request for an additional $21,963,000 would increase the total budgeted costs to date to $77,541,000.

Attachment V, provided by PUC, provides additional information on each of the subject 31 ongoing capital

[1] Attachment I rounds this number to $717 million.

improvement projects, including project description and purposes of the projects.

Comments:

1. Attachment VI, provided by Mr. Eric Sandler of the PUC, explains the reasons for financing this proposed supplemental appropriation with commercial paper instead of Proposition A Water Department Revenue Bonds approved by the voters in November of 2002. In summary, the use of commercial paper has the following benefits according to Mr. Sandler: (a) debt is only issued as needed; (b) the PUC can take advantage of lower short-term interest rates; (c) the impact of debt service interest on local retail water rates is minimized; (d) there is increased funding flexibility; and (e) long-term financing flexibility is still maintained.

2. As shown in Attachment III, of the $55,578,000 budgeted to date for the 31 ongoing capital improvement projects:

- $25,007,249 or approximately 45.0 percent has been expended.
- $12,797,575 or approximately 23.0 percent has been encumbered.
- $17,773,176 or approximately 32.0 percent remains unexpended and unencumbered.

3. As shown in Attachment III, in May of 2002 the 31 ongoing capital improvement projects were budgeted to cost a total of $1,900,507,851 over the 13-year life of the PUC Water System Capital Improvement Program. By February of 2005, the estimated total project costs for those 31 ongoing capital improvement projects had increased by $500,881,149 or approximately 26.4 percent over the 2002 budgeted cost, to $2,401,389,000.[2] According to Mr. Bajwa, this $500,881,149 increase is due to the following factors:

- Unforeseen site conditions and unanticipated existing water system conditions.

[2] Mr. Jeet Bajwa of the PUC advises that both the 2002 and 2005 figures are fully escalated to account for inflation and include all contingencies. The "escalation number" is a construction inflation cost, usually determined on a per year basis. The Department's recent annual report on the Water System Capital Improvement Program uses escalated numbers calculated on a per year basis.

- The proposed Programmatic Environmental Impact Report process which will not be completed until mid-2007, and specific projects' anticipated environmental mitigation requirements.
- Right-of-way and land acquisition issues and costs.
- Project changes required during construction.
- Certain project alternatives that were chosen despite their high capital costs because of offsetting lower life cycle costs during future operations and other benefits.

4. Mr. Bajwa advises that all capital improvement project budget changes are subject to a formal PUC "Project Change Control Procedure" which will (a) track and control proposed changes to project scope, quality, cost, and schedule, (b) provide staff with the assistance needed to consider cost-saving alternatives, (c) document changes in facility operations, (d) obtain the necessary management approvals, (e) eliminate unapproved design deviations from the project work scope, and (f) ensure formal close-out of all implemented budget changes.

5. As shown in Attachment III, the 31 ongoing capital improvement projects which would receive supplemental appropriation funding of $21,963,000 under this proposed ordinance will require additional future costs totaling $2,323,848,000 in order for such projects to be completed. This amount of $2,323,848,000 represents approximately 96.8 percent of the revised February of 2005 total estimated project costs of $2,401,389,000, including this subject request of $21,963,000 for the 31 ongoing capital improvement projects. Mr. Sandler advises that the additional future costs of $2,323,848,000 will be funded from a combination of the issuance of Water Enterprise 2002 Proposition A Revenue Bonds and the issuance of commercial paper debt as needed.

6. As shown in Attachment III, the PUC anticipates that only five of the 31 ongoing capital improvement projects will be completed during FY 2005-2006. The remaining 26 capital improvement projects are scheduled for completion between February of 2007 through December of 2013. The five projects to be completed in FY 2005-2006 are (a) Project CUW305 Fire Protection at City

Distribution Division, (b) Project CUW306 Crocker Amazon Pump Station Upgrade, (c) Project CUW307 Summit Reservoir Rehabilitation Upgrade, (d) Project CUW312 Lincoln Way Transmission Line, and (e) Project CUW318 Forest Hill Tank Rehabilitation/Seismic Upgrade.

7. As noted above, the proposed supplemental appropriation would provide $132,000 of the total supplemental appropriation request of $22,095,000 ($21,963,000 for 31 ongoing capital improvement projects plus $132,000 for Project CUW362) Water System Automation - Hetch Hetchy. According to Mr. Bajwa, the PUC General Manager has recommended that this project be deleted from the Water System Capital Improvement Program because it does not contribute to that program's seismic relability, water quality, water supply, or delivery reliability goals, as recently determined by the Public Utilities Commission. The Public Utilities Commission's goal setting process is described in Attachment I. The PUC has already expended $173,621 on this project and, according to Mr. Bajwa, the additional $132,000 would permit completion of the project design. However, given that the PUC General Manager has recommended that Project CUW362 be deleted from the PUC Water System Capital Improvement Program, the Budget Analyst recommends that the request for $132,000 be deleted from the total supplemental appropriation request of $22,095,000. Further, it should be noted that the supplemental appropriation is to be funded by commercial paper authorized pursuant to the Proposition A Water Revenue Bonds approved by the voters in November of 2002 specifically for the Water System Capital Improvement Program, not for projects outside of the Water System Capital Improvement Program.

Recommendations:

1. In accordance with Comment No. 7 above, amend the proposed ordinance by reducing the requested amount of $22,095,000 by $132,000 to $21,963,000.

2. Approve the supplemental appropriation ordinance, as amended, in the amount of $21,963,000.

SFPUC

WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

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February 23, 2005

To: Harvey Rose
Board of Supervisors Budget Analyst

From: Susan Leal
General Manager

Tony Irons
Deputy General Manager

Re: File 05-0213 – SFPUC Supplemental Appropriation Request for the Water System Improvement Program

Last October, the San Francisco Public Utilities Commission (SFPUC) began a thorough review of the Hetch Hetchy Water System Improvement Program (WSIP) in order to renew and redouble the sense of urgency around rebuilding our critical but aging water system. The Hetch Hetchy water system delivers 85% of the water consumed by 2.4 million residents and businesses in San Francisco, San Mateo, Santa Clara and southern Alameda Counties.

The new WSIP was developed following a series of six public workshops that evaluated the originally proposed 37 regional projects and identified specific overall program goals for seismic reliability, water quality, water supply and delivery reliability.

Though much critical design, planning and engineering work for individual projects had been done in the past two years, since the passage of Proposition A, the overall goals of the program – necessary to determine true costs and begin environmental review – had not been previously established.

The revised program includes $717 million in new costs necessary to ensure seismic reliability, expanded drought protection and enhanced environmental responsibility as well as schedule changes that would begin work on several major regional projects earlier than previously proposed schedules.

The members of the SFPUC Commission will forward this comprehensive, newly revised $4.3 billion WSIP to San Francisco City Planning to begin critical programmatic environmental review. Per Assembly Bill 1823, the revised program will also undergo a 30-day review and comment period.

The SFPUC supplemental appropriation request reflects revised priorities and changes in scope to a limited number of projects to meet the level of service goals established by the Commission. The SFPUC is committed to this new program and is confidant the program will deliver an improved water system for the Bay Area's future.

Program Objectives

The new WSIP is structured to bring about, in an expeditious manner, seismic delivery, water quality and water supply improvements. The process to develop this program involved six program specific public hearings and many hours of staff and public comment at regularly scheduled Commission hearings. The concerns and comments of stakeholders, including but not limited to the Bay Area Water Supply and Conservation Agency (BAWSCA) and Bay Area Water Stewards (BAWS), were taken into consideration in the preparation of the WSIP.

The WSIP will deliver capital improvements aimed at enhancing the Commission's ability to meet its water service mission of providing high quality water to its customers in a reliable, affordable and environmentally sustainable manner.

There are two fundamental principles of this program: a clean unfiltered water source and a gravity driven system. All program goals and measures of reliability devolve from these principles. Levels of service, operations, engineering modeling, project selection, costs, and schedules are all predicated on these two basic principles.

Projects within the WSIP will incorporate environmental stewardship policies and principles of the SFPUC.

The objectives of the program are to:

1. Furnish system improvements to provide high quality water that reliably meets current and foreseeable local, state, and federal requirements;
2. Reduce vulnerability of the water system to damage from earthquakes;
3. Increase reliability of the system to deliver water by improving redundancy needed to accommodate planned outages for maintenance and unplanned outages resulting from facility failure;
4. Provide near-term improvement of water supply/drought protection;
5. Set forth long-term water supply/drought management options for technical evaluation, cost analysis, and environmental review;
6. Enhance sustainability through improvements that optimize protection of the natural and human environment; and,
7. Provide improvements resulting in a cost-effective fully operational water system.

Level of Service

The Commission provided direction on level of service goals for water quality, seismic reliability, delivery reliability and water supply. These level of service goals were the basis for developing the scope and magnitude of projects comprising the WSIP. Level of service for these program objectives are summarized below.

Water Quality

- Provide a high quality water supply that reliably meets current and foreseeable local, state and federal requirements;
- Maintain filtration avoidance for Hetch Hetchy supply; and,
- Implement watershed protection through land acquisition and management projects. (This service criterion will be achieved in a companion program to the WSIP, but is stated here to set forth a comprehensive water quality plan.)

Seismic Reliability

- Deliver minimum system demand (winter month demand) within 24 hours after a major earthquake. Minimum winter month demand is estimated at 215 mgd in 2030. In general, minimum winter month demand represents indoor residential, commercial and industrial use; it excludes landscape water and certain air conditioning uses;
- Deliver minimum system demand equally to three regions within the service area to the extent possible. These regions include: 1) the East and South Bay Area, 2) the Peninsula, and 3) City of San Francisco. At least 70 percent of the turnouts within each region should receive flow to achieve minimum month demand for the region. Estimated 2030 minimum month demands for the three regions noted above are 96 mgd, 37 mgd, and 82 mgd respectively;
- Restore facilities to meet average demand within 30 days after a major earthquake; and,
- Design facilities to meet the established seismic upgrade criteria. Various levels of hardening will be required for different components of the system, depending upon site-specific conditions and system functions.

Delivery Reliability

- Deliver average demand under the condition of one unplanned outage concurrent with one planned outage of major facilities. Average demand in 2030 is estimated at 300 mgd;
- Provide redundancy to enable maintenance on a schedule required for reliable water delivery; and,
- Provide system capacity to replenish local area reservoirs as needed to maintain reliable water deliveries.

Water Supply

- Accommodate a target delivery reduction during a design drought of 8.5 years that is time-phased. During the first three years, the average reduction is anticipated at 3.3%. During the second three years, the average reduction is anticipated at 13.3%. (Six years is historically the longest drought experienced.) For the last 2.5 years of the design drought, the average reduction is anticipated at 20%. This represents an increase in firm yield from 226 mgd to 254 mgd. (A water service utility does not know it is in a drought until it is already a year or two into the period and precipitation has shown a decline over time.);
- Increase long-term water supply for drought management through consideration of conservation, recycling, ground water storage and transfers; and,
- Set forth long term supply options for evaluation and review to occur concurrent with implementation of projects required for seismic reliability, delivery reliability and meeting water quality requirements.

Program Projects and Costs

The new program includes $717 million in new costs necessary to ensure seismic reliability throughout the entire system, expanded drought protection and enhanced environmental responsibility and review. The additional program costs are summarized below.

Bay Division Pipeline (BDPL) # 5: The SFPUC is proposing to build a new Bay Division Pipeline (BDPL # 5) with a tunnel under the Bay to provide seismic reliability. The original scope (2002) included the building of 17 miles of pipeline, instead of a tunnel. Several options were evaluated based on life cycle cost, environmental, operations and maintenance, and implementability. Building this option, with a tunnel rather than a pipeline per original scope, is estimated to cost an additional $230 million. This option would provide a more environmentally appropriate project, given the extreme environmental sensitivity of the Bay shoreline and salt marshes at the northern point where the BDPL traverses the Bay (making permitting, construction and ongoing maintenance difficult); as well as building a more seismically stable project underground.

Improving water delivery to the northern peninsula and SF: Modeling the entire system after a major seismic event on the San Andreas Fault line demonstrated that the current proposals would only guarantee 24 percent of normal daily water delivery to the northern end of the peninsula and San Francisco, having a devastating effect on the area, while the other parts of the system would receive 70 percent. The additional expenditure of $250 million would ensure system parity between Peninsula customers and the other wholesale customers and assure water is available to San Francisco and northern San Mateo County within 24 hours after a major earthquake on the San Andreas Fault.

Programmatic Environmental Impact Report (PEIR), Project specific EIRs and environmental mitigation: The PEIR (due mid 2007), a seven year project-specific EIR program and related environmental mitigations will cost an additional $145 million for consultant contracts, SFPUC (including the SFPUC's Communications Division) and City Planning Department staff time, and environmental monitoring. Environmental reviews had previously been budgeted at approximately $10 million. Environmental mitigation can cost between 3 and 10 percent of project costs depending on the site's environmental sensitivity and the duration of the environmental impact review process.

Groundwater: Additional funds of $39 million will be invested in a groundwater project to ensure alternative water supplies during a drought. This groundwater project would provide approximately 3 million gallons per day through groundwater wells largely located on the west side of the City. In addition, the project will be expanded into the Regional System and will provide up to 7 million gallons per day additional supply during drought years. This water source would free up Hetch Hetchy water for other customers, and therefore adds water to the system.

Project scope changes to meet water supply policy parameters set by the SF Public Utilities Commission: As a result of the policy decisions regarding levels of service for the water system as a whole, determined by the SFPUC Commission on January 13, 2005, the Department rescoped a number of projects. The resulting project scope changes will require an additional $53 million in funding. This would fund missing elements to ensure that the system can work together in an integrated fashion.

The WSIP groups projects and their costs according to each project's contribution to meeting the program's seismic, delivery, water supply and water quality objectives. If a project contributes to more than one objective, its cost is assigned to the objective for which it makes the most critical contribution. Based on this qualitative assignment of projects, the following cost breakdown was developed.

Water Quality	$212,085,000
Seismic Reliability	$1,972,034,000
Delivery Reliability	$771,455,000
Water Supply	$242,681,000
SF Retail Delivery Projects	$383,691,000
Non-Project Specific Programmatic Environmental Analysis	$9,542,000
Total WSIP Planning, Design and Construction	**$3,591,488,000**
Financing Costs	$753,135,000
Program Total	$4,344,623,000

Attachment II

	Project	Project Number	Revised Supplemental Appropriation
1	Groundwater Project	CUW301	185,000
2	Fire Protection at City Distribution Division	CUW305	810,000
3	Crocker Amazon Pump Station Upgrade	CUW306	145,000
4	Summit Reservoir Rehabilitation Upgrade	CUW307	3,089,000
5	Lincoln Way Transmission Line	CUW312	1,707,000
6	East West Transmission Main	CUW315	897,000
7	Fulton @ 6th 30" Main Replacement	CUW316	170,000
8	Forest Hill Tank Rehab/Seismic Upgrade	CUW318	152,000
9	Forest Knolls Pump Station Upgrade	CUW321	64,000
10	McLaren Park Pump Station Upgrade	CUW323	116,000
11	Sky View/Aqua Vista Pump Station Upgrades	CUW326	51,000
12	Summit Pump Station Upgrade	CUW327	200,000
13	McLaren #1 Tank Rehab/Upgrade	CUW328	300,000
14	McLaren #2 Tank Rehab/Upgrade	CUW332	293,000
15	Stanford Heights Reservoir Rehab/Upgrade	CUW334	319,000
16	Seismic Upgrade Bay Division Pipelines @ Hayward Fault	CUW353	2,883,000
17	Lower Crystal Springs Dam Improvements	CUW354	50,000
18	Adit Leak Repairs (Crystal Springs & Calaveras Reservoirs)	CUW357	400,000
10	Irvington Tunnel	CUW359	500,000
20	Pulgas Balancing Reservoir Rehab	CUW361	504,000
21	Installation of SCADA System Phase II	CUW363	500,000
22	Cross Connection Controls	CUW365	201,000
23	Harry Tracy Water Treatment Plant Short Term Improvements Phase A	CUW366	334,000
24	Harry Tracy Water Treatment Plant Long Term Improvements	CUW367	165,000
25	Bay Division Pipelines Hydraulic Capacity Upgrade	CUW368	1,446,000
26	Capuchino Valve Lot Capacity Improvements	CUW369	200,000
27	Crystal Springs PS & CS-SA Pipeline	CUW371	1,295,000
28	SJ Pipeline #4 New	CUW373	1,000,000
29	Calaveras Dam Replacement	CUW374	2,869,000
30	Crystal Springs Pipeline #2 Replacement (in City)	CUW378	454,000
31	Bay Division Pipelines #3 & 4 Cross Connection	CUW380	664,000
	Subtotal:		$21,963,000
Deleted Project	Water System Automation – Hetch Hetchy	CUW362	132,000
	TOTAL:		$22,095,000

Project	Current Phase	Project Number	2002 Original Budget (a)	February 2005 Revised Budget (b)	Amount Budgeted To Date (c)	Amount Spent to Date (d)	Encumbered (e)	Unexpended Balance (c-d-e)	Supplemental Appropriation Request (f)	Future Appropriations Required (b-c-f)	Project Completion Date
1 Groundwater Project	PL	CUW301	19,585,521	51,205,000	3,200,000	1,816,236	52,420	1,331,344	185,000	47,820,000	Dec-09
2 Fire Protection at City Distribution Division	BD	CUW305	2,447,878	1,976,000	798,000	209,007	357,298	231,695	810,000	368,000	Aug-05
3 Crocker Amazon Pump Station Upgrade	CN	CUW306	4,042,817	4,061,000	2,653,000	1,266,795	231,868	1,154,337	145,000	1,263,000	Sep-05
4 Summit Reservoir Rehabilitation Upgrade	CN	CUW307	23,135.314	13,602,000	7,736,000	3,698,384	3,614,224	423,392	3,089,000	2,777,000	Oct-05
5 Lincoln Way Transmission Line	CN	CUW312	15.969,269	14,354,000	5,419,000	666,117	3,902,386	850,497	1,707,000	7,228,000	Nov-05
6 East West Transmission Main	ER	CUW315	24,886,525	21,643,000	1,123,000	628,391	43,610	450,999	897,000	19,623,000	Jul-07
7 Fulton @ 6th 30" Main Replacement	PL	CUW316	5,112,610	4,327,000	144,000	44,236	0	99,764	170,000	4,013,000	Feb-08
8 Forest Hill Tank Rehab/Seismic Upgrade	DS	CUW318	3,243.796	3,261,000	806,000	473,958	0	332,042	152,000	2,303,000	Mar-06
9 Forest Knolls Pump Station Upgrade	DS	CUW321	3.524,218	5,333,000	249,000	149,456	0	99,544	64,000	5,020,000	Feb-07
10 McLaren Park Pump Station Upgrade	PL	CUW323	7,199,208	8,292,000	39,000	0	0	39,000	116,000	8,137,000	May-08
11 Sky View/Aqua Vista Pump Station Upgrades	PL	CUW326	1,961,874	4,165,000	121,000	73,263	4,100	43,637	51,000	3,993,000	Aug-07
12 Summit Pump Station Upgrade	DS	CUW327	7,022,740	5,204,000	626,000	309,709	62,960	253,331	200,000	4,378,000	May-07
13 McLaren #1 Tank Rehab/Upgrade	PL	CUW328	9,859,564	8,093,000	200,000	23,780	0	176,220	300,000	7,593,000	Jan-08
14 McLaren #2 Tank Rehab/Upgrade	PL	CUW332	9.793,853	8,041,000	200,000	29,021	0	170,979	293,000	7,548,000	Jan-08
15 Stanford Heights Reservoir Rehab/Upgrade	PL	CUW334	13,601,662	12,309,000	250,000	50,010	98,000	101,990	319,000	11,740,000	May-08
16 Seismic Upgrade Bay Division Pipelines @ Hayward Fault	DS	CUW353	60,022.304	72,782,000	4,724,000	1,086,695	535,848	3,101,457	2,883,000	65,175,000	May-09
17 Lower Crystal Springs Dam Improvements	PL	CUW354	24.133,978	34,685,000	954,000	413,185	61,747	479,068	50,000	33,681,000	May-10
18 Adit Leak Repairs (Crystal Springs & Calaveras Reservoirs)	PL	CUW357	3,136,395	3,057,000	0	0	0	0	400,000	2,657,000	May-07
19 Irvington Tunnel	PL	CUW359	205,674,224	316,855,000	4,845,000	2,414,972	320,365	2,109,663	500,000	311,510,000	Apr-13
20 Pulgas Balancing Reservoir Rehab	PL	CUW361	22,544,367	31,772,000	875,000	274,489	155,926	444,585	504,000	30,393,000	Dec-11
21 Installation of SCADA System Phase II	PL	CUW363	41,031,073	21,312,000	0	0	0	0	500,000	20,812,000	Jul-09
22 Cross Connection Controls	ER	CUW365	5,566,657	7,144,000	563,000	232,905	4,600	325,495	201,000	6,380,000	Jun-07
23 Harry Tracy Water Treatment Plant Short Term Improvements Phase A	PL	CUW366	18,682,284	26,930,000	1,848,000	200,475	375,544	1,271,981	334,000	24,748,000	Apr-10
24 Harry Tracy Water Treatment Plant Long Term Improvements	PL	CUW367	53,432,689	58,388,000	1,000,000	626,270	63,942	309,788	165,000	57,223,000	Dec-13

Project	Current Phase	Project Number	2002 Original Budget (a)	February 2005 Revised Budget (b)	Amount Budgeted To Date (c)	Amount Spent to Date (d)	Encumbered (e)	Unexpended Balance (c-d-e)	Supplemental Appropriation Request (f)	Future Appropriations Required (b-c-f)	Project Completion Date
25 Bay Division Pipelines Hydraulic Capacity Upgrade	PL	CUW368	355,777,851	556,793,000	3,850,000	1,709,415	738,562	1,402,023	1,446,000	551,497,000	Apr-13
26 Capuchino Valve Lot Capacity Improvements	PL	CUW369	2,376,727	4,175,000	0	0	0	0	200,000	3,975,000	Dec-07
27 Crystal Springs PS & CS-SA Pipeline	PL	CUW371	83,124,854	120,529,000	1,036,000	878,880	133,543	23,577	1,295,000	118,198,000	Sep-12
28 SJ Pipeline #4 New	PL	CUW373	559,281,527	582,162,000	3,014,000	2,557,980	456,689	(669)	1,000,000	578,148,000	Dec-11
29 Calaveras Dam Replacement	PL	CUW374	214,350,000	257,255,000	7,893,000	4,631,430	1,111,170	2,150,400	2,869,000	246,493,000	Nov-11
30 Crystal Springs Pipeline #2 Replacement (in City)	PL	CUW378	84,307,285	97,742,000	812,000	342,581	267,984	201,435	454,000	96,476,000	Aug-10
31 Bay Division Pipelines #3 & 4 Cross Connection	PL	CUW380	15,678,787	43,942,000	600,000	199,609	204,789	195,602	664,000	42,678,000	Jun-11
TOTALS:			1,900,507,851	2,401,389,000	55,578,000	25,007,249	12,797,575	17,773,176	21,963,000	2,323,848,000	

Current Phase

PL Planning

ER Environmental Review

DS Design

BD Bid & Award

CN Construction

	Project	Project Number	Amount Budgeted To Date	Supplemental Appropriation Request	Total
1	Groundwater Project	CUW301	3,200,000	185,000	**3,385,000**
2	Fire Protection at City Distribution Division	CUW305	798,000	810,000	**1,608,000**
3	Crocker Amazon Pump Station Upgrade	CUW306	2,653,000	145,000	**2,798,000**
4	Summit Reservoir Rehabilitation Upgrade	CUW307	7,736,000	3,089,000	**10,825,000**
5	Lincoln Way Transmission Line	CUW312	5,419,000	1,707,000	**7,126,000**
6	East West Transmission Main	CUW315	1,123,000	897,000	**2,020,000**
7	Fulton @ 6th 30" Main Replacement	CUW316	144,000	170,000	**314,000**
8	Forest Hill Tank Rehab/Seismic Upgrade	CUW318	806,000	152,000	**958,000**
9	Forest Knolls Pump Station Upgrade	CUW321	249,000	64,000	**313,000**
10	McLaren Park Pump Station Upgrade	CUW323	39,000	116,000	**155,000**
11	Sky View/Aqua Vista Pump Station Upgrades	CUW326	121,000	51,000	**172,000**
12	Summit Pump Station Upgrade	CUW327	626,000	200,000	**826,000**
13	McLaren #1 Tank Rehab/Upgrade	CUW328	200,000	300,000	**500,000**
14	McLaren #2 Tank Rehab/Upgrade	CUW332	200,000	293,000	**493,000**
15	Stanford Heights Reservoir Rehab/Upgrade	CUW334	250,000	319,000	**569,000**
16	Seismic Upgrade Bay Division Pipelines @ Hayward Fault	CUW353	4,724,000	2,883,000	**7,607,000**
17	Lower Crystal Springs Dam Improvements	CUW354	954,000	50,000	**1,004,000**
18	Adit Leak Repairs (Crystal Springs & Calaveras Reservoirs)	CUW357	0	400,000	**400,000**
19	Irvington Tunnel	CUW359	4,845,000	500,000	**5,345,000**
20	Pulgas Balancing Reservoir Rehab	CUW361	875,000	504,000	**1,379,000**
21	Installation of SCADA System Phase II	CUW363	0	500,000	**500,000**
22	Cross Connection Controls	CUW365	563,000	201,000	**764,000**
23	Harry Tracy Water Treatment Plant Short Term Improvements Phase A	CUW366	1,848,000	334,000	**2,182,000**
24	Harry Tracy Water Treatment Plant Long Term Improvements	CUW367	1,000,000	165,000	**1,165,000**
25	Bay Division Pipelines Hydraulic Capacity Upgrade	CUW368	3,850,000	1,446,000	**5,296,000**
26	Capuchino Valve Lot Capacity Improvements	CUW369	0	200,000	**200,000**
27	Crystal Springs PS & CS-SA Pipeline	CUW371	1,036,000	1,295,000	**2,331,000**
28	San Joaquim Pipeline #4 New	CUW373	3,014,000	1,000,000	**4,014,000**
29	Calaveras Dam Replacement	CUW374	7,893,000	2,869,000	**10,762,000**
30	Crystal Springs Pipeline #2 Replacement (in City)	CUW378	812,000	454,000	**1,266,000**
31	Bay Division Pipelines #3 & 4 Cross Connection	CUW380	600,000	664,000	**1,264,000**
	TOTALS: Project		**55,578,000**	**21,963,000**	77,541,000

	Description/ Supplemental Appropriation Amount	Purpose of the Funding	Contractor selection information including (a) the process, (b) the selected contractor's name, the full contract amount, and the purpose of the contract, and (c) the amount of the supplemental appropriation funding which will be used to fund that contractor.	The impact of not receiving these funds until the end of March of 2005
1	Groundwater Project ($185,000)	Upgrades for the existing Zoo Irrigation Well to allow it to be used for emergency drinking water purposes. Specifically, funds are required for an emergency generator, emergency chlorination equipment, and piping. This project was recently identified as a high priority in the PUC's Emergency Drinking Water Plan (October, 2004).	Not applicable. Work is being performed by PUC and DPW staff.	No impact to the project if funds are received in March, 2004.
2	Fire Protection at City Distribution Division (CDD) ($810,000)	Remainder of construction contract for fire protection/life safety improvements at CDD facilities. City Staff for construction management inspection, engineering and project management.	(a) Low bid construction contract process. (b) LC General Engineering, $1,082,720. (c) Approximately $600,000 will fund a portion of the construction contract.	This project is in construction. If the supplemental appropriation is not approved, the City will not be able to make progress payments to the contractor, resulting in claims and delay of project completion.
3	Crocker Amazon Pump Station Upgrade ($145,000)	Remainder of construction contract to rebuild deteriorated water pumping station originally built in 1956. City staff for construction management inspection, engineering and project management.	(a) Low bid construction contract process. (b) Trinet Construction, $2,225,000. (c) Approximately $85,000 will fund a portion of the construction contract.	This project is in construction. If the supplemental appropriation is not approved, the City will not be able to make progress payments to the contractor, resulting in claims and delay of project completion.
4	Summit Reservoir Rehabilitation Upgrade ($3,089,000)	Remainder of construction contract to seismically retrofit the 14 million gallon drinking water reservoir originally built in 1954. City staff for construction management inspection, engineering and project management.	(a) Low bid construction contract process. (b) Mitchell Engineering, $8,046,917. (c) Approximately $2,400,000 will fund a portion of the construction contract.	This project is in construction. If the supplemental appropriation is not approved, the City will not be able to make progress payments to the contractor, resulting in claims and delay of project completion.
5	Lincoln Way Transmission Line ($1,707,000)	The selected contractor's construction items.	(a) Low bid construction contract process. (b) Mitchell Engineering, $8,654,402, funds installation of 48" transmission main pipeline. (c) This supplemental is for $1,707,000.	The project is in construction. If the supplemental appropriation is not approved, the City will not be able to make progress payments for major pipe installations to the contractor, resulting in claims and delay of project completion.
6	East West Transmission Main ($897,000)	The design portions of this project.	Not applicable. All the funding will be used for in-house labor.	The project is at 25 percent design completion. If the supplemental appropriation is not approved, the rest of the design work will be delayed, thus the 95 percent and the 100 percent design milestones will be missed.

	Description/ Supplemental Appropriation Amount	Purpose of the Funding	Contractor selection information including (a) the process, (b) the selected contractor's name, the full contract amount, and the purpose of the contract, and (c) the amount of the supplemental appropriation funding which will be used to fund that contractor.	The impact of not receiving these funds until the end of March of 2005
7	Fulton @ 6th 30" Main Replacement ($170,000)	The design portions of this project.	Not applicable. All the funding will be used for in-house labor.	The project will be in design by the end of 2/05. If the supplemental appropriation is not approved, the design cannot continue for the balance of fiscal year and the 35 percent milestone will be delayed.
8	Forest Hill Tank Rehab/Seismic Upgrade ($152,000)	The upcoming construction contract and construction management staff.	(a) Low bid construction contract process. (b) The bids will be opened on January 13, 2005. The engineer's estimate is $1,550,000. (c) This supplemental will fund construction contract for $102,000 and in-house construction management for $50,000.	Construction is scheduled to start in April of 2005. If the supplemental appropriation is not approved, construction progress will be delayed, resulting in claims.
9	Forest Knolls Pump Station Upgrade ($64,000)	Continuation of project design to replace existing water pumping station originally built in 1960. Fund City staff - engineering, operations, and project management.	Not applicable. All the funding will be used for in-house labor.	The project is at 15 percent design completion. If the supplemental appropriation is not approved, the rest of the design work will be delayed; as a result the 35 percent and the 65 percent design milestones will be missed.
10	McLaren Park Pump Station Upgrade ($116,000)	Continuation of project planning to replace existing water pumping station originally built in 1942. Fund City staff - engineering, operations, and project management.	Not applicable. All the funding will be used for in-house labor.	The planning phase for this project has just started. If the supplemental appropriation is not approved, the delivery milestone of the alternative analysis (optioneering) report and consequently the conceptual engineering report deadline will be missed.
11	Sky View/Aqua Vista Pump Station Upgrades ($51,000)	Start project design to replace existing water pumping station originally built in 1962. Fund City staff - engineering, operations, and project management.	Not applicable. All the funding will be used for in-house labor.	The project is starting the design phase. If the supplemental appropriation is not approved, the design will not proceed beyond 10 percent, thus the 35 percent and the 65 percent design milestones will be missed.
12	Summit Pump Station Upgrade ($200,000)	Continuation of project design to replace existing water pumping station originally built in 1955. Fund City staff - engineering, operations, and project management.	Not applicable. All the funding will be used for in-house labor.	The project is at 35 percent design completion. If the supplemental appropriation is not approved, the rest of the design work will be delayed, thus the 65 percent and the 95 percent design milestones will be missed.
13	McLaren #1 Tank Rehab/Upgrade ($300,000)	Continuation of project planning to seismically rehabilitate the existing 4 million gallon water storage tank originally built in 1966. Fund City staff - engineering, operations, and project management.	Not applicable. All the funding will be used for in-house labor.	The project is at 20 percent planning completion. If the supplemental appropriation is not approved, the delivery milestone of the alternative analysis (optioneering) report deadline and consequently the conceptual engineering report deadline will be missed.

	Description/ Supplemental Appropriation Amount	Purpose of the Funding	Contractor selection information including (a) the process, (b) the selected contractor's name, the full contract amount, and the purpose of the contract, and (c) the amount of the supplemental appropriation funding which will be used to fund that contractor.	The impact of not receiving these funds until the end of March of 2005
14	McLaren #2 Tank Rehab/Upgrade ($293,000)	Continuation of project planning to seismically rehabilitate the existing 4 million gallon water storage tank originally built in 1966. Fund City staff - engineering, operations, and project management.	Not applicable. All the funding will be used for in-house labor.	The project is at 15 percent planning completion. If the supplemental appropriation is not approved, the delivery milestone of the alternative analysis (optioneering) report deadline and consequently the conceptual engineering report deadline will be missed.
15	Stanford Heights Reservoir Rehab/Upgrade ($319,000)	Continuation of project planning to seismically rehabilitate the existing 13 million gallon drinking water reservoir originally built in 1923. Fund City staff - engineering, operations, and project management.	Not applicable. All the funding will be used for in-house labor.	The project is at 10 percent planning completion. If the supplemental appropriation is not approved, the delivery milestone of the alternative analysis (optioneering) report deadline and consequently the conceptual engineering report deadline will be missed.
16	Seismic Upgrade of BDPL at Hayward Fault ($2,883,000)	Purchase order contract to procure valves and actuators that are long lead items. The purchase order will be advertised by January 13, 2005 and need to be awarded in February of 2005.	The process involves procurement to be involved with comparative bidding.	If the funds are not available in February of 2005 the purchase order will be delayed and thus the window in which we need to implement this project will be lost. It will impact the project by 4-5 years, because the initial phase then will be combined under the environmental review and will take a longer duration.
17	Lower Crystal Springs Dam Improvements ($50,000)	The environmental review process by consultant in support of in-house planning and City Planning Department staff.	(a) Consultant work to go out through RFP process. Consultant will supplement City staff for environmental review. (b) Entrex Inc., $2,200,000 contract for environmental review services, purpose is to produce EIR documents, permitting, and mitigation design for the project. (c) $50,000 will be part of the funding for task order No. 1 of the contract.	No impact to the project if funds are received in March 2005.
18	Adit Leak Repairs ($400,000)	Project management and planning services.	No contracting is yet anticipated for this project.	Project start is delayed until funding.
19	Irvington/ Tunnel ($500,000)	Completion of the conceptual engineering report for the tunnel and pipeline facilities, including: establishment of tunnel and pipeline design criteria, identification of approximate tunnel horizontal/vertical alignment and the associated issues, development of preliminary data for tunnel final lining and shafts, right of way analysis, development of preliminary operational strategies, etc.	Not applicable. Work is to be completed by City staff.	Additional construction costs. In-house staff will have no budget to complete the planning phase.

	Description/ Supplemental Appropriation Amount	Purpose of the Funding	Contractor selection information including (a) the process, (b) the selected contractor's name, the full contract amount, and the purpose of the contract, and (c) the amount of the supplemental appropriation funding which will be used to fund that contractor.	The impact of not receiving these funds until the end of March of 2005
20	Pulgas Reservoir Rehabilitation ($504,000)	Construction of the inlet/outlet modifications. Cleaning of the reservoir by in-house forces. Completion of the reservoir condition assessment.	(a) Low bid construction contract process. (b) NCCI is the low bidder, $500,000 is the construction contract amount, purpose is to install the inlet/outlet modifications. (c) $504,000 will fund the construction contract and partial contract contingency.	Additional construction costs. The construction contract award will be delayed further; missed milestone. Additional costs will incur as the contract needs to be renegotiated with the contractor if no contract awarded within 90 days of bid opening; additional material escalation costs and delay in contract work; possibility of rebid if negotiations are unsuccessful with the contractor.
21	SCADA System Installation - Phase 2 ($500,000)	The initial project planning and the needs assessment work.	Not applicable.	Planning will be delayed.
22	Cross Connection Controls ($201,000)	Construction of the project by in-house forces with engineering/planning support from City staff.	In-house forces will be used to construct this project with support by other City staff. $201,000 will fund the construction costs borne by in-house forces.	No impact to the project if funds are received in March 2004.
23	Harry Tracy Water Treatment Plan Short Term Improvements - Phase A ($334,000)	Construction of two demonstration filters.	(a) Low bid construction contract process. (b) The construction contract will be advertised in January 2005 with an award date of June 2005. $1,370,000 is the engineer's estimate of the construction contract amount, purpose is to construct two demonstration filters. (c) $334,000 will fund the remaining portion of the construction contract.	No impact to the project if funds are received in March 2004.
24	Harry Tracy Water Treatment Plan Long Term Improvements ($165,000)	Completion of the condition assessment by City and consultant staff.	(a) As-needed consultant work to supplement City staff. (b) Kennedy Jenks Consultant, $150,000 for the task order, purpose is to complete the condition assessment which require specialized structural, mechanical, and electrical services. (c) $150,000.	No impact to the project if funds are received in March 2004. Planning completion milestone is already delayed by the cancellation of the Water Infrastructure Partners task order; float between Planning Phase 1 and Phase 2 will be used up. Additional stop and restart costs will be incurred to bring in another consultant to complete the condition assessment work which is reflected in the proposed $150,000 task order.

	Description/ Supplemental Appropriation Amount	Purpose of the Funding	Contractor selection information including (a) the process, (b) the selected contractor's name, the full contract amount, and the purpose of the contract, and (c) the amount of the supplemental appropriation funding which will be used to fund that contractor.	The impact of not receiving these funds until the end of March of 2005
25	Bay Division Pipelines (BDPL) Reliability Upgrade Project ($1,446,000)	1) $300,000 will fund condition assessment of BDPL #1 so that the PUC can determine if BDPL #1 should be rehabilitated or if the new BDPL #5 should be upsized to also provide the replacement for BDPL #1. 2) $700,000+ will fund development of conceptual engineering data for the tunnel and pipeline facilities, including: establishment of tunnel and pipeline design criteria, identification of approximate tunnel horizontal/vertical alignment and the associated issues, development of preliminary data for tunnel final lining and shafts, right of way analysis, preliminary geotechnical exploration at each shaft, preparation of RFPs for tunnel design and as-needed specialty pipeline services, development of preliminary operational strategies, etc. 3) $440,000+ for environmental survey program that will obtain information to support EIR and permitting activities.	1(a) Use existing contracts. 1(b) Scope being split between Water Infrastructure Partners under an existing task order, and Corpro (as-needed contract for corrosion services). 1(c) $50,000. 2(a) Use an existing EIR consultant contract selected through the City's bidding process. 2(b) Entrix/Ward Joint Venture 2(c) $440,000.	In-house staff will have no budget to complete the planning phase.
26	Capuchino Valve Lot Capacity Improvements ($200,000)	The planning phase for this project.	Not applicable. Work is to be completed by City staff.	Start of planning milestone will be missed by three months and will impact project schedule with a delay of three months. Proposed shutdown window may be missed if the project is delayed by three months.

	Description/ Supplemental Appropriation Amount	Purpose of the Funding	Contractor selection information including (a) the process, (b) the selected contractor's name, the full contract amount, and the purpose of the contract, and (c) the amount of the supplemental appropriation funding which will be used to fund that contractor.	The impact of not receiving these funds until the end of March of 2005
27	CS/SA Transmission ($1,295,000)	Project management services including services of the Project Management Bureau, the Program Controls Section, and the Operating Department. Existing facilities conditions assessment and alternatives analysis services including general project engineering; civil, structural, pipelines, mechanical and electrical engineering; structural, corrosion, and underwater specialty inspection.	Program management services support: (a) Existing as-needed contract. (b) Water Infrastructure Partners; $429,000; assist general project and hydraulic engineering as-needed, provide geotechnical, corrosion, structural and underwater specialty inspections and engineering. (c) $183,000.	Six to nine month delay is the anticipated result of delayed funding of the project. Specialty services to be contracted through an existing as-needed contract cannot be practically pursued by that vehicle, because it will expire at the end of the fiscal year. The services were needed last quarter (November 2004) to stay on schedule. The actual length of delay depends upon the contracting options that are available when the funds become available and any unforeseen follow through required to complete the work.
28	San Joaquim Pipeline #4 New ($1,000,000)	Charges for City staff for the completion of the conceptual engineering report. Charges for consultant services to complete conceptual engineering report. Charges for the initial task order for project EIR.	1(a) Selected through a specific RFP. 1(b) URS, $2,200,000 contract for preparation of project EIR. 1(c) $300,000 will fund the task order to perform biological survey. 2(a) As-needed contract. 2(b) Olivia Chen Consultants, $300,000 contract to perform hydraulics analysis, geotechnical services. 2(c) $300,000.	Delay the milestone for the conceptual engineering report but no overall impact to the project schedule.

	Description/ Supplemental Appropriation Amount	Purpose of the Funding	Contractor selection information including (a) the process, (b) the selected contractor's name, the full contract amount, and the purpose of the contract, and (c) the amount of the supplemental appropriation funding which will be used to fund that contractor.	The impact of not receiving these funds until the end of March of 2005
29	Calaveras Dam ($2,869,000)	Project management services including services of the Project Management Bureau, the Program Controls Section, Operating Department, and the City Attorney's Office. Dam replacement alternatives analysis, conceptual design and initiation of environmental analysis including general project engineering; geotechnical, general civil, structural, pipelines, mechanical and electrical engineering; general environmental analysis and biological resources assessment. Oxygenation system design, equipment procurement and construction contracting including general project engineering and civil, electrical and mechanical engineering. Release facilities needs assessment, including general project engineering and civil, electrical and mechanical engineering.	Dam engineering: (a) Individual request for proposals for professional services. (b) URS Corporation, Calaveras Technical Advisory Panel Members; $4,000,000 and four @ $50,000; geotechnical investigation, development and evaluation of feasible alternatives, and conceptual design. (c) $200,000 and four @ $25,000. Dam environmental analysis: (a) Individual request for proposals for professional services. (b) Turnstone/EDAW Joint Venture (in negotiation); $3,500,000; environmental impact analysis, CEQA documentation. (c) $700,000. Oxygenation project: (a) Competitively bid purchase orders and a construction contract. (b) To advertise next month; $20,000, $200,000 and $1,000,000 respectively; vaporizer equipment procurement, liquid oxygen tank procurement, and oxygenation system installation. (c) $20,000, $200,000 and $1,000,000 respectively.	As a result of delays to reservoir storage objectives development, dam environmental analysis services contracting and oxygenation system design, delay of supplemental funding until the end of March is not anticipated to hold up project work. However, uncertainty regarding the initial encumbrance amount for the environmental analysis contract, procurement contract amounts and the timing of accounting for City Attorney activities and "pre-Capital Improvement Program" charges, further delay would not be advisable.
30	Crystal Springs Pipeline #2 Replacement ($454,000)	Corrosion study contract, environmental contract, and supporting City staff	Corrosion assessment: (a) Selected from CS-750 as-needed contract. (b) Corrpro Inc., $100,000, corrosion assessment. (c) $100,000. Environmental impact report: (a) The EIR contractor will be selected based on qualifications. (b) The bids will open on January 14, 2005. (c) This supplemental will fund $200,000 of the upcoming contract, and $154,000 will fund in-house engineering and environmental work.	The project is in the condition assessment and environmental phase. Proposals to retain an environmental consultant for EIR were submitted on January 14, 2005. In addition, a major corrosion study will be underway starting at the end of January, 2005. If the supplemental appropriation is not approved, the City will not be able to make progress payments to the consultants, thus the completion of both phases will be delayed.

	Description/ Supplemental Appropriation Amount	Purpose of the Funding	Contractor selection information including (a) the process, (b) the selected contractor's name, the full contract amount, and the purpose of the contract, and (c) the amount of the supplemental appropriation funding which will be used to fund that contractor.	The impact of not receiving these funds until the end of March of 2005
31	BDPL No. 3 and 4 Cross Connections ($664,000)	$284,000 are required for the in-house staff to work on planning phase and also $380,000 is required for the Water Infrastructure Partners task order to complete its work. The task order will address the remaining work under planning phase including the conceptual engineering report.	Not applicable.	This will delay the progress on the project and the conceptual engineering report will miss the milestone and thus the entire project will be delayed.

Total expenditure on outside consultants: $9,929,000.

SFPUC
WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

San Francisco
Public Utilities Commission
Financial Services
1155 Market St., 5th Floor
San Francisco, CA 94103

MEMORANDUM

DATE: FEBRUARY 22, 2005

TO: ALAN GIBSON, BUDGET ANALYST'S OFFICE

CC: CARLOS JACOBO
FRANK MCPARTLAND

FROM: ERIC SANDLER, DIRECTOR, FINANCIAL PLANNING

SUBJECT: **RESPONSE TO BUDGET ANALYST'S INQUIRY – EXPLAINING WHY THE SFPUC INTENDS TO USE COMMERCIAL PAPER TO FUND THE PROPOSED SUPPLEMENTAL APPROPRIATION**

Ultimately, the goal of the long-term funding strategy for the WSIP is to strike a balance between low interest rate levels and interest rate volatility. This is usually accomplished by a diverse long-term capital structure composed of fixed and variable rate debt. During development and construction, however, the WSIP presents a different profile of risks that can be effectively managed by the use of Commercial Paper. The continued use of Commercial Paper presents the following benefits:

- **Issue debt only as needed.** Commercial paper is the only debt instrument that can be quickly issued on an as-needed basis. By using this instrument the agency minimizes the amount of debt outstanding and interest during construction.
- **Take advantage of short-term rates.** Commercial paper is a short-term instrument and bears interest rates well below those of long-term, fixed rate debt. The use of CP minimizes the expense of interest during construction and the ultimate cost of the program.
- **Minimize impact on local retail rates.** The nature of the agreement with the suburban customers is such that we are not compensated for capital costs until actual assets are in use and capitalized. Local rate-payers bear the financial risk of project construction delays. By minimizing the amount of debt service interest during construction, CP helps mitigate rate impacts on local rate-payers.
- **Manage schedule risks.** Not only does CP minimize the amount of debt outstanding and interest during construction, but also it efficiently provides funding flexibility should funding requirements change.
- **Maintain long-term financing flexibility.** Long term, fixed-rate debt carries significant call protection for the investor —usually 10 years. Given the range of long-term financing options, using CP allows us to finance the WSIP without committing to one source of long-term financing.

Please contact me if you have further questions on this matter.

Item 4 - File 05-0189

Department: Recreation and Park Department (RPD)

Item: Ordinance making environmental findings and amending the San Francisco Park Code Section 12.01 to increase the Camp Mather cabin and tent site usage fees, amending Park Code Section 12.02 to increase the Camp Mather day use fees, and amending Park Code Section 12.03 to increase the Camp Mather meal fees.

Description: According to Ms. Mary King-Gorwky of the Recreation and Park Department (RPD), Camp Mather is an RPD property in the Sierra Nevada Mountains that annually serves 537 guests per week, or a total of 5,370 guests per year based on maximum capacity during the camp's 10-week summer season, between the second week of June and the third week of August. Camp Mather cabin and tent site usage fees, day use fees, and meal fees are specified in the San Francisco Park Code, Sections 12.01 to 12.03.

Ms. King-Gorwky advises that, in the 2004 summer season, RPD collected fees for Camp Mather cabin and tent site usage, totaling \$568,369; day use[1], totaling \$42,513; and meals, totaling \$659,959, resulting in a total of \$1,270,841 in fee revenues. Ms. King-Gorwky further advises that RPD collected an additional \$121,000 from Bluegrass Festival concession revenues, \$28,000 in general retail store sales, and \$600 in gifts, for total revenues in the 2004 summer season of \$1,420,441 (\$121,000 in concession revenues, plus \$28,000 in general store sales, plus \$600 in gifts, plus \$1,270,841 in fee revenues). Ms. King-Gorwky states that total RPD expenditures for administration, operation, and maintenance for the 2004 summer season were \$1,552,424. Therefore, the operation of Camp Mather resulted in a General Fund cost of \$131,983 (\$1,552,424 in expenditures less \$1,420,441 in revenues) during the 2004 summer season.

[1] According to Ms. King-Gorwky, "day use" fees are collected from guests of Camp Mather who are not staying overnight. Day use guests have access to the facilities at Camp Mather between the hours of 9:00am and 6:00pm.

The proposed ordinance would authorize increases in cabin and tent site usage fees by approximately 25 percent, day use fees by 20 percent and meal fees by between 14 to 33 percent, as shown in the following tables:

Cabin and Tent Site Usage Fees – San Francisco Residents (25 percent increase)	Existing Weekly Rate	Proposed Weekly Rate	Weekly Rate Increase	Existing Nightly Rate	Proposed Nightly Rate	Nightly Rate Increase
2-Person Cabin	$303	$379	$76	$55	$69	$14
3-Person Cabin	$411	$514	$103	$73	$91	$18
4-Person Cabin	$508	$635	$127	$91	$114	$23
5-Person Cabin	$593	$741	$148	$109	$136	$27
6-Person Cabin	$666	$832	$166	$133	$166	$33
4-Person Tent	$120	$150	$30	$24	$30	$6
6-Person Tent	$157	$196	$39	$32	$40	$8

Cabin and Tent Site Usage Fees – Non-San Francisco Residents (25 percent increase)	Existing Weekly Rate	Proposed Weekly Rate	Weekly Rate Increase	Existing Nightly Rate	Proposed Nightly Rate	Nightly Rate Increase
2-Person Cabin	$363	$454	$91	$61	$76	$15
3-Person Cabin	$503	$629	$126	$85	$106	$21
4-Person Cabin	$605	$756	$151	$103	$129	$26
5-Person Cabin	$708	$885	$177	$121	$151	$30
6-Person Cabin	$811	$1,014	$203	$140	$175	$35
4-Person Tent	$158	$197	$39	$31	$39	$8
6-Person Tent	$211	$264	$53	$40	$50	$10

Day Use Fees for all (20 percent increase)	Existing Rate	Proposed Rate	Rate Increase
Adult (Age 13 years and older)	$10	$12	$2
Youth (Ages 6 to 12 years)*	$5	$6	$1
Child (Ages 2 to 5 years)*	$5	$6	$1
Infant (Under age 2)	FREE	FREE	$0
*In the proposed ordinance, the "Youth" and "Child" categories have been combined into "Youth (Ages 2 to 12 years)".			

Meal Fees – For all overnight guests (14 to 33 percent increase)	Existing Weekly Rate	Proposed Weekly Rate	Weekly Rate Increase	Existing Daily Rate	Proposed Daily Rate	Nightly Rate Increase
Adult (Age 13 years and older)	$152	$190	$38	$24	$30	$6
Youth (Ages 6 to 12 years)*	$91	$110	$19	$14	$16	$2
Child (Ages 2 to 5 years)*	$85	$110	$25	$12	$16	$4
Infant (Under age 2)	FREE	FREE	$0	FREE	FREE	$0
*In the proposed ordinance, the "Youth" and "Child" categories have been combined into "Youth (Ages 2 to 12 years)".						

Meal Fees – For day guests (16 to 23 percent increase)	Existing Breakfast Rate	Proposed Breakfast Rate	Breakfast Rate Increase
Adult (Age 13 years and older)	$10	$12	$2
Youth (Ages 6 to 12 years)*	$6	$7	$1
Child (Ages 2 to 5 years)*	$6	$7	$1
Infant (Under age 2)	FREE	FREE	$0
	Existing Lunch Rate	Proposed Lunch Rate	Lunch Rate Increase
Adult (Age 13 years and older)	$10	$12	$2
Youth (Ages 6 to 12 years)*	$6	$7	$1
Child (Ages 2 to 5 years)*	$6	$7	$1
Infant (Under age 2)	FREE	FREE	$0
	Existing Dinner Rate	Proposed Dinner Rate	Dinner Rate Increase
Adult (Age 13 years and older)	$13	$16	$3
Youth (Ages 6 to 12 years)*	$9	$11	$2
Child (Ages 2 to 5 years)*	$9	$11	$2
Infant (Under age 2)	FREE	FREE	$0
*In the proposed ordinance, the "Youth" and "Child" categories have been combined into "Youth (Ages 2 to 12 years)".			

Comments:

1. Ms. King-Gorwky advises that the cabin and tent site usage fees, day use fees, and meal fees for Camp Mather were last increased in 1997. Ms. King-Gorwky further advises that the proposed fee increases have been approved by the Recreation and Park Commission. Ms King-Gorwky further states that the Recreation and Park Department (RPD) received approximately 30% more applications than could be accommodated based on the 2004 summer season space availability, and that, given the greater number of applications than space available, RPD does not anticipate any decrease in RPD's ability to fill all available cabin and tent site spaces due to the proposed fee increases.

2. Ms. King-Gorwky advises that RPD estimates a net revenue increase of $317,711, or an average 25 percent increase, from $1,270,841 in the 2004 summer season to $1,588,552 in the 2005 summer season, as a result of the increases in cabin and tent site usage fees, day use fees, and meal fees for Camp Mather. Ms. King-Gorwky further advises that RPD estimates Bluegrass Festival concessions of $121,000, general retail store sales of $28,000, and gifts of $600, for total revenues of $1,738,152

($121,000 in Bluegrass Festival concessions revenues, plus $28,000 in general retail store sales, plus $600 in gifts, plus $1,588,552 in fee revenues). Ms. King-Gorwky further advises that RPD anticipates a net expenditure increase of $44,011, or approximately a 2.8 percent increase, from $1,552,424 in the 2004 summer season to $1,596,435 in the 2005 summer season for administration, operation, and maintenance at Camp Mather. Therefore, RPD expects that Camp Mather will realize a net surplus of $141,717 in the 2005 summer season, based on total fee, concession, retail store sales, and gift revenues of $1,738,152, exceeding operation, administration, and maintenance expenditures of $1,596,435.

3. According to Ms. Virginia Dario Elizondo of the City Attorney's Office, the City's fee revenues cannot exceed costs if essential government services are being performed. However, Ms. Elizondo advises that the Camp Mather fees for cabin and tent site usage, day use, and meals are for "non-essential government services," and therefore the fees are not limited to cost recovery. Therefore, RPD may charge market rates for the Camp Mather services, which can result in fee revenues exceeding costs.

4. According to Ms. King-Gorwky, applications for the 2005 Camp Mather summer season are due to RPD by March 11, 2005. Ms. King-Gorwky advises that all applications for the 2005 summer season include a notification that fees may be increased. Ms. King-Gorwky further advises that, in order for the proposed fee increases to apply to the 2005 summer season, such fee increases must be approved by the Board of Supervisors prior to May 2, 2005, which is the date on which RPD will mail reservation confirmations back to applicants seeking to utilize the Camp Mather facilities.

Recommendation: Approve the proposed ordinance.

Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Daly
Supervisor Elsbernd
President Peskin
Supervisor Alioto-Pier
Supervisor Dufty
Supervisor Ma
Supervisor Maxwell
Supervisor McGoldrick
Supervisor Mirkarimi
Supervisor Sandoval
Clerk of the Board
Controller
Erin McGrath
Ted Lakey
Cheryl Adams

City and County of San Francisco
Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Chris Daly, Sean Elsbernd, Fiona Ma, Jake McGoldrick

Clerk: Gail Johnson

Thursday, March 10, 2005 **1:00 PM** **City Hall, Legislative Chamber, Room 250**

Regular Meeting

AGENDA CHANGES

REGULAR AGENDA

1. **050342** **[2005 Board of Supervisors Budget Committee Process]**
Supervisor Ammiano

Hearing to review the 2005 Board of Supervisors Budget Committee Process.

3/1/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

2. **050340** **[Potential Impacts of Proposed Federal Cuts to the CDBG Program]**
Supervisor Ammiano

Hearing to review the potential impacts of the proposed federal cuts to the CDBG program to San Francisco's non-profit delivery system and how the Mayor's Office of Community Development's upcoming funding plans might be affected.

3/1/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

ADJOURNMENT

BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

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ATTN: Michael Sherrod-Flores

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 3, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: March 10, 2005 Budget and Finance Committee Meeting

Item 1 - File 05-0117

Note: This item was amended and continued at the Budget and Finance Committee Meeting on February 24, 2005. The following report reflects the amended ordinance.

Departments: Department of Public Works (DPW)
Sheriff's Department
Juvenile Probation Department
City Attorney's Office

Item: Ordinance (a) re-appropriating $5,040,219 from the 1989 Earthquake Safety Bond Phase 1 (ESP1) proceeds and re-appropriating $729,002 from the 1990 Earthquake Safety Bond Phase 2 (ESP2) proceeds, for a total of $5,769,221, to fund projected shortfalls of $2,724,875 for the San Bruno Jail Replacement Project, $2,746,336 for the Juvenile Hall Replacement Project and $298,010 for the Fourth Street Bridge construction project and (b) re-appropriating $487,610 from the 1992 Fire Department Improvement Bond (FDIB) proceeds and appropriating $1,993,370 from the 1992 Fire Department Improvement Bond (FDIB) interest earnings to provide substitute funding of

$2,480,980 for the Fire Station #2 construction project.

Amount and Source of Funds:

$5,040,219	Re-appropriated from the remaining balances from eight 1989 ESPI Projects
501,227	Re-appropriated from the remaining balances from five 1990 ESP2 Funds
227,775	Re-appropriated from the remaining unallocated 1990 ESP2 Funds
$5,769,221	Total Re-appropriated ESP Funds

$487,610	1992 Re-appropriated FDIB Funds
1,993,370	1992 FDIB Unappropriated Interest
2,480,980	Total 1992 Fire Bond Funds

Proposed Project Funding for Projected Shortfalls:

San Bruno Jail Replacement Project	$2,724,875*
Juvenile Hall Replacement Project	2,746,336
Fourth Street Bridge Project	298,010
Total	$5,769,221

*An additional amount of $326,000 from ESP Fund interest earnings, as included in the Amendment of the Whole, is used to address the shortfall for the San Bruno Jail Replacement Project.

Description:

San Francisco voters approved $62,000,000 of General Obligation Earthquake Safety Bond (ESP1) funds in 1989 and $332,000,000 of General Obligation Earthquake Safety Bond (ESP2) funds in 1990 to seismically retrofit over 200 City facilities, including City Hall, San Francisco General Hospital, Laguna Honda Hospital, the Opera House, the San Francisco Zoo, North of Market Health Center, Fire Station #2 and the Fourth Street Bridge. The proposed ordinance would re-appropriate a total of $5,769,221 from ESP1 and ESP2 funds to fund projected shortfalls for the San Bruno Jail, Youth Guidance Center and Fourth Street Bridge Projects, as shown above.

In 1992, San Francisco voters also approved $40,800,000 of General Obligation Fire Department Improvement Bonds to reconstruct and seismically

upgrade various Fire Department facilities. Mr. Douglas Legg of the Department of Public Works advises that, to date, a total of 37 Fire Department Improvement projects have been completed at 32 Fire Department facilities.

This proposed ordinance would also re-appropriate $487,610 from the Fire Boat Headquarters Improvement Project and appropriate $1,993,370 of interest earnings for a total of $2,480,980 from 1992 Fire Department Improvement Bonds. This $2,480,980 would be used to provide substitute funding for the Fire Station #2 project, which was previously funded with $2,480,980 of ESP1 funds, in order to make an additional $2,480,980 of ESP1 funds available to fund the projected shortfalls for the San Bruno Jail and the Juvenile Hall Replacement Projects (see Comment No. 2).

Attachment I, provided by Mr. Legg identifies the remaining fund balances and explanations for each of (a) the eight projects in ESP1 totaling $5,040,219, (b) the five projects in ESP2 totaling $501,227 and unallocated ESP2 funds totaling $227,775, for a total of $729,002 and (c) the one Fire Boat Headquarters Improvement Project totaling $487,610 and unappropriated interest of $1,993,370 from 1992 Fire Department Improvement Bond appropriations for a total of $2,480,980.

The following three projects totaling $5,769,221 would be funded to address all of the projected shortfalls for the San Bruno Jail and Juvenile Hall Replacement Projects and to address a portion of the projected shortfall for the Fourth Street Bridge Project:

San Bruno Jail Construction Project	$2,724,875
Juvenile Hall Replacement Project	2,746,336
Fourth Street Bridge Project	298,010
Total	$5,769,221

Attachment II provided by Mr. Legg identifies the total estimated project costs, the funding sources, and the projected shortfalls for the San Bruno Jail, Juvenile Hall Replacement and Fourth Street Bridge projects.

San Bruno Jail Project:

In October of 2000, the Board of Supervisors approved a total appropriation of $151,241,017, including $137,235,000 in proceeds from the sale of Certificates of Participation (COPs) and $14,006,017 of interest income from the COPs to finance the demolition of San Bruno Jail No. 3 and the construction of a new San Bruno Jail for the Sheriffs Department (File 00-1488). Although $14,006,017 of interest income was originally anticipated from the COPs, Mr. Legg advises that based on the amount certified by the Controller's Office, only $11,235,896 of interest income is anticipated to be earned, resulting in a projected shortfall of $2,770,121 in interest income revenue to finance the San Bruno Jail Project. As shown in Attachment III, provided by Mr. Legg, reduced overall costs of $45,246, primarily resulting from construction cost savings for the San Bruno Jail Project, will offset the projected loss of interest income of $2,770,121, resulting in the proposed supplemental re-appropriation request of $2,724,875 representing the amount of the currently projected shortfall for the San Bruno Jail Construction Project.

Juvenile Hall Project:

In June of 2002, the Board of Supervisors approved the acceptance and expenditure of a $15,075,000 grant from the California State Board of Corrections (File 02-0852), $1,813,245 of additional Federal and State grant funds and in May of 2003, the Board of Supervisors appropriated $42,052,080 from the sale of Certificates of Participation (COPs) (File 03-0609) to finance the demolition and replacement of the City's Juvenile Hall, located in the San Francisco Youth Guidance Center at 375 Woodside Avenue. The Juvenile Hall Replacement Project was initially anticipated to cost $51,704,095. However, as shown in Attachment IV

provided by Mr. Legg, the Project is currently projected to cost $54,450,431, or $2,746,336 more than originally anticipated, representing the amount of the currently projected shortfall for the Juvenile Hall Project, which is the subject of the requested supplemental appropriation (see Comment No. 5).

Fourth Street Bridge: The requested $298,010 in this supplemental appropriation would fund the remaining amount needed to complete the seismic design, engineering and construction work on the Operator's House, Watch House and Electrical Enclosure on the Fourth Street Bridge, for a cost of $746,911 for this portion of the Project, as shown in Attachment V. As detailed in Attachment V, the costs for this portion of the Fourth Street Bridge Project have significantly increased from $36,263 to $246,263 for the Operator House and $16,135 to $111,135 for the Watchman House. Ms. Peg Divine of DPW and Mr. Legg advise that the original scope of work for the Operator and Watch Houses has completely changed from the original plans. These changes resulted from (a) unforeseen conditions, including significantly more steel corrosion than had been anticipated and additional replacement of timbers being required, and (b) the Bridge and related Operator and Watch House buildings being eligible for the National Register of Historic Places. As a result, the Fourth Street Bridge Project has been (a) significantly delayed, (b) subject to additional Federal Historic Reconstruction regulations and incurred correspondingly increased costs. As shown in Attachment II, the overall Fourth Street Bridge Project is now anticipated to cost a total of $37,000,000, with only $33.329,232 of funding identified to date, resulting in a currently projected shortfall of $3,670,768. The requested $298,010 in the subject ordinance will reduce this shortfall to $3,372,758 (see Comment No. 6).

Comments:

1. Mr. Legg advises that there will not be any remaining balances in either the ESP1 or ESP2 Programs if this re-appropriation of $5.769.221

from the Earthquake Safety Bond Program is approved. According to Mr. Legg, even if the proposed re-appropriation of $5,769,221 were not used to fund the projected shortfalls for the San Bruno Jail, Youth Guidance Center and Fourth Street Bridge Projects, there would still be insufficient funds remaining in the ESP Program to complete two of the City's major seismic retrofit projects that were originally planned under ESP. The two major projects include the Veterans Memorial Building at an estimated cost of $78,000,000[1] and the Department of Public Health's 101 Grove Street facility at an estimated cost of $71,000,000 or a total of $149,000,000. Therefore, the Budget Analyst considers the re-appropriation of the proposed $5,769,221 of ESP funds from these still needed seismic retrofit projects, to fund the shortfalls in the San Bruno Jail, Youth Guidance Center and Fourth Street Bridge Projects, to be a policy decision for the Board of Supervisors.

2. The Fire Station #2 Project, which cost $2,480,980 and was completed in 1994, entailed the construction of a new seismically safe Fire Station located at 1340 Powell Street, near Broadway, and was originally funded with ESP1 funds. The proposed supplemental would re-appropriate $2,480,980 of 1992 Fire Department Improvement Bond proceeds to provide substitute funding for this already completed Fire Station #2 Project, instead of using ESP1 funds. This re-appropriation would then free up $2,480,980 of ESP1 funds from this Project that, in accordance with the terms of the ESP1 ballot measure, can now be used to fund the projected shortfalls, as detailed above, for the San Bruno Jail and Youth Guidance Center Projects, according to Mr. Mike Martin of the City Attorney's Office.

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[1] A $122,755,000 General Obligation bond to seismically strengthen and improve the Veterans Memorial Building as well as create new public arts and cultural facilities was on the November of 2002 ballot, but did not receive the required two-thirds vote for approval.

This $2,480,980 of substitute funding would come from the (a) re-appropriation of $487,610 of 1992 FDIB funds previously appropriated to the Fire Department's Fire Boat Headquarters Improvement Project, which the Fire Department has determined is not a high priority project at this time, and (b) appropriation of $1,993,370 of unappropriated interest from the 1992 FDIB funds interest earnings, as shown in Attachment I. According to Mr. Legg, the 1992 FDIB account has a current balance of $8,777,188, which would be reduced to $6,296,208, if the proposed substitute funding of $2,480,980 is approved. Mr. Legg advises that these funds are available because, in FY 2003-2004, the Fire Department reassessed its operations and decided not to pursue four planned projects that were to be funded with the 1992 FDIB funds, including the (1) Central Fire Alarm Station, (2) Chief's Headquarters, (3) Fire Boat Headquarters, and (4) a new Bureau of Training.

According to Mr. Legg, the Citizens General Obligation Bond Oversight Committee has repeatedly expressed concerns about remaining large balances in the FDIB programs. The Committee maintains that funds should be spent in a reasonable period of time on eligible projects that are ready-to-go rather than banking the remaining funds for projects that do not have realistic implementation schedules.

However, the Fire Department is still planning to use the FDIB funds to complete renovations at the Old Fire Station #16 ($200,000), and was planning to use a portion of the balance to develop a new Fire Station #1 along the Mission Street corridor near downtown ($9,000,000), and a new Mission Bay Fire Station ($7,500,000), which are anticipated to cost a total of approximately $16,700,000. As noted above, if the proposed substitute funding of $2,480,980 is approved, only $6,296,208 will be remaining in the FDIB, such that there will be a shortfall of $10,403,792 ($16,700,000 total costs less $6,296,208 available

funds) to complete these three anticipated Fire Department Improvement projects. Mr. Legg advises that the Fire Department is working with the Mayor's Office to identify potential other funds to pay for this anticipated shortfall for the completion of these Fire Department facilities projects. Even if this proposed re-appropriation is not approved, the Fire Department will not have adequate funds to complete the Fire Station #1 replacement and the Mission Bay Fire Station projects. The Budget Analyst considers that the re-appropriation of the proposed $2,480,980 of FDIB funds from these still-needed Fire Department Improvement projects, to be used instead to fund the shortfalls in the San Bruno Jail and Youth Guidance Center Projects, to be a policy decision for the Board of Supervisors.

3. Mr. Legg advises that, in consultation with the Mayor's Office, the subject reappropriation of the 1989 ESP1, 1990 ESP2 Bond Funds and the 1992 Fire Department Improvement Bonds were the only funding sources available, other than the City's General Fund, for paying for the projected shortfalls of $2,724,875 for the completion of the San Bruno Jail Project and $2,746,336 for the completion of the Juvenile Hall Replacement Project. According to Mr. Legg, if the proposed supplemental appropriation is approved, no additional funds will be required to complete those two Projects[2]. However, as shown in Attachment II, even if the requested $298,010 is approved from the subject supplemental appropriation for the Fourth Street Bridge Project, an additional $3,372,758 will still be needed to complete that Project.

4. Mr. Legg also notes that in FY 2003-2004, the Mayor's Office transferred $2,375,147 of COP proceeds for the San Bruno Jail Project to reimburse the General Fund for pre-design work

[2] Mr. Legg advises that because of legal issues, liquidated damages and claims pending on all three projects, it is possible that more funds may be needed to pursue further legal actions. However, Mr. Legg further advises that such legal actions will likely result in additional claims funds for the City, that could be used to pay for other needed seismic projects in the City.

that had previously been advanced by the General Fund. In addition, in FY 2004-2005, the Mayor's Office transferred an additional $3,250,000 from the COP proceeds for the San Bruno Jail Project to fund additional Sheriff's Department General Fund working capital expenses. Together, this has resulted in $5,625,147 of transfers from the San Bruno Jail Project Funds.

Construction of the San Bruno Jail Project began in October of 2000 and was anticipated to be completed by November 12, 2003. However, as a result of numerous design and construction problems, the DPW Project Manager currently estimates that the new San Bruno Jail will not be completed until July of 2005, or approximately 20 months later than anticipated. Mr. James Cheng of DPW advises that, as a result of these delays, DPW is assessing the developer/contractor for the San Bruno Jail Project, AMEC Construction Management Inc., $35,000 per day commencing on November 13, 2003.

5. Although the original design work for the new Juvenile Hall Replacement Project began in early 2000, the construction contract was not awarded until July of 2003, a ten-month delay due to changes to the designs and documents. When the construction began, the new Juvenile Hall was to be completed by December of 2005. As a result of additional changes and problems that arose during the construction phase of the Project, the new Juvenile Hall is now anticipated to be completed by April of 2006, a further delay of four months.

As shown in Attachment IV, the original construction contingency for the Juvenile Hall Replacement Project was $3,639,286 or ten percent of the $36,392,855 construction contract. Mr. Legg advises that due to numerous change orders already approved by DPW, and anticipated to be needed prior to the completion of the Project, the contingency has increased by $1,379,129 or a total of $5,018,415, which represents 13.79 percent of

the construction contract. In addition to this contingency, $1,367,207 of additional funds are needed, for a total request of $2,746,336 to address the Juvenile Hall Replacement Project shortfall. As detailed in Attachment IV, most of the additional $1,367,207 is needed for DPW's Project Management ($467,232), DPW's Construction Management ($447,596), City Administrative Services ($286,029) and Juvenile Probation's Project Management ($89,440). Mr. Legg advises that these additional City staff costs are primarily related to the delays in the project, since additional staff time is now required beyond the planned schedule for the project.

6. As noted above and shown in Attachment II, even if the requested $298,010 that is the subject of the proposed supplemental appropriation is approved there would still be a shortfall of $3,372,758 for the Fourth Street Bridge Project. Mr. Legg advises that DPW is working with the Transportation Authority, Muni and Caltrans to identify potential additional sources that will provide additional funding for this project. Given that the requested $298,010 would still result in a shortfall of $3,372,758 for the Fourth Street Bridge Project, the source of which is not currently known, the Budget Analyst considers approval of these funds to be a policy decision for the Board of Supervisors.

Recommendation: In accordance with Comments No. 1, 2 and 6, given that the proposed re-appropriations of Earthquake Safety Bond (ESP) and Fire Department Improvement Bond (FDIB) funds will (a) contribute to the inability to complete two major seismic retrofit projects, the Veterans Memorial Building and the Department of Public Health's 101 Grove Street facility, that were to be funded with ESP funds, and (b) contribute to the inability to complete two Fire Department facility projects, a new Fire Station #1 along the Mission Street corridor near downtown and a new Mission Bay Fire Station, that were to be funded with the FDIB

funds and (c) still result in a shortfall of $3,372,758 for the Fourth Street Bridge Project, approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Uses

Juvenile Hall	2,746,336
San Bruno Jail #3	2,724,875
Fourth Street Bridge	298,010
Total	**5,769,221**

ESP1 (CATES1)

	Currently Programmed For		
	Legion of Honor	379,722	Project Completed. Unneeded balance.
	DPW Asian Art Admin	43,094	Project Completed. Unneeded balance.
	City Atty/Controller	102,176	Project Completed. Unneeded balance.
	Fire Dept. Projects	1,055,032	These funds were being saved for Station 1 Replacement
	SFFD Lead Abatement	13,051	Project Completed. Unneeded balance.
	Old Fire Station #21	217,145	Station was inactivated. Now used as Fitness and Rehab Center. Did not need same level of work as an active station.
	Fires Station #1 Renov	749,019	Old Station 1 was sold. These funds were being saved for Station 1 Replacement
	Fire Station #2	2,480,980	Expenses to be abated to Fire Bond
Total ESP1		5,040,219	

ESP2 (CATES2)

	St. Mary's Garage*	89,313	Project Completed. Unneeded balance.
	101 Grove Seismic*	278,047	Earthquake repairs to building completed. These funds were inadequate for full seismic retrofit.
	101 Tenant Reloc*	39,343	Same as Seismic project
	Pal. Fine Arts Disabled*	87,362	Project Completed. Unneeded balance.
	Civic Center Space Plan*	7,162	Project Completed. Unneeded balance.
	Unallocated	227,775	
Total ESP2		729,002	

* Total of $501,227

1992 Fire Bond

	Fire Boat	487,610	Fire Department determined that this was not a high priority at this time.
	Unappropriated Interest	1,993,370	
Total Fire Bond		2,480,980	

Youth Guidance Center		
Total Project Cost	$	54,450,431
Revenues		
Certificates of Participation	$	34,815,850
State and Federal Grants		16,888,245
Total	$	51.704,095
Shortfall	$	2,746,336

San Bruno Jail		
Total Project Cost	$	151,195,771
Revenues		
Certificates of Participation	$	137,235,000
Interest on COPs		11,235,896
Total	$	148,470,896
Shortfall	$	2,724,875

4th Street Bridge		
Total Project Cost	$	37,000,000
Revenues		
State & Federal Grants	$	32,373.933
1/2¢ Sales Tax		264,048
General Fund CIP		226,850
1987 Street Bond		15.500
ESP1		448,901
Total	$	33,329,232
Shortfall	$	3,670,768
This request	$	298,010
Remaining Shortfall	$	3,372,758

Attachment III

		ORD. 228-00	CURRENT EST.	DIFFERENCE
I.	**FUNDING SOURCES**			
A.	Proceeds from COPs	$137,235,000	$137,235,000	$ 0
B.	Interest Income	14,006,017	11,235,896	2,770,121
C.	Total	$151,241,017	$148,470,896	$2,770,121
II.	**PURPOSE OF APPROPRIATION**			
A.	Construction Funds	$130,793,369	$125,425,238	$5,368,131
B.	Sheriff's Expenses	1,407,213	1,690,153	(282,940)
C.	Debt Service	12,810,466	12,253,808	556,658
D.	Issuance Costs/			
E.	Bond Discounts	6,229,969	6,201,425	28,544
F.	Pre-Bond Design		2,375,147	(2,375,147)
G.	Operating Transfer		3,250,000	(3,250,000)
H.	Total	$151,241,017	$151,195,771	$ 45,246
I.	Expenses less Revenues	-0-	2,724,875	

ATTACHMENT A

JUVENILE HALL REPLACEMENT PROJECT
REQUEST FOR SUPPLEMENTAL APPROPRIATION
12/30/2004

	COP Project Costs	COP $	Forecast $	Delta $	Class	Avg $ / Hr	Hrs
	Construction / Purchase / Installation						
1	Construction Contract	36,392,855	36,392,855	0			
2	Construction Contingency	3,639,286	5,018,415	1,379,129			
	subtotal Construction	$40,032,141	$41,411,270	$1,379,129			
	Project Control						
3	Client Dept. Services	200,000	289,440	89,440			
	Sp. Assist. XIII	200,000	289,440	89,440	1372	$52	1,720
4	DPW Project Management	$1,036,739	$1,503,971	$467,232			
	BOA Proj. Mgr. II	997,800	1,444,022	446,222	5504	$139	3,210
	BOE Principal Eng	36,238	56,271	20,032	5212	$165	121
	BOE Planning & Control	2,700	3,678	978	9398	$92	11
5	City Administrative Services	$162,100	$448,129	$286,029			
	HRC	4,000	0	-4,000			
	DPT	5,000	6,000	1,000			
	DPH	7,000	850	-6,150			
	Purchasing	61,500	80,032	18,532			
	DPW	4,500	1,481	-3,019			
	City Attorney	80,100	359,766	279,666			
6	Regulatory Agency Approvals	286,234	276,110	-10,124			
7	Basic A/E Services	3,266,400	3,294,914	28,514			
8	Construction Management	$3,992,044	$4,439,640	$447,596			
	Design / Bid Phase	273,412	263,727	-9,685			
	Contract Preparation	12,500	22,263	9,763	5174	$131	75
	BCM Review	24,426	44,112	19,686	5212	$150	131
	Consultant Review: Luster	100,860	100,794	-66			
	Consultant Review: Zahn	85,370	55,196	-30,174			
	BCM As-Needed Admin.	4,638	4,638	0			
	BCM HazMat Specification	6,498	6,498	0			
	Consultant Review: EPC / CM	39,120	30,226	-8,894			
	Construction Phase: City	1,614,853	1,596,771	-18,082			
	Principal Eng.	82,948	101,165	18,217	5212	$166	110
	Engineer	583,609	711,743	128,134	5241	$123	1,042
	Building Inspector	474,159	584,373	110,214	6331	$100	1,102
	Field Engineer / M&E	229,568	0	-229,568			
	Access Compliance	0	11,063	11,063	6335	$148	75
	Contract Compliance Clerk	13,775	8,453	-5,322			
	Contract Compliance Rep	188,245	115,529	-72,716			
	Contract Compliance Chief	27,549	16,907	-10,642			
	Relocation Const. Mgt.	15,000	47,538	32,536	5241	$123	265
	Construction Phase: Consultant	1,350,354	1,688,952	338,598			
	Construction Mgt.	1,350,354	1,588,891	238,537			
	As-Needed Geotech	0	100,061	100,061			
	Materials Testing & Sp. Inspect.	242,542	378,677	136,135			
	City Testing Lab						
	Associate Engineer	28,500	41,044	12,544	5207	$107	117
	Materials Testing Engineer	27,600	39,748	12,148	5305	$71	171
	Materials Testing Aide	26,000	37,443	11,443	5304	$69	166
	As-Needed Test / Insp CSOs						
	ISI Masonry	63,560	148,560	85,000			
	ISI Steel	96,882	111,882	15,000			
	HazMat / Environ. Monitoring	510,883	511,513	630			
	BCM Construction Inspector	44,188	76,886	32,698	6318	$101	324
	BCM Regulatory Specialist	146,805	253,143	106,338	5620	$95	1,119
	BCM Accountant	4,417	7,620	3,203	1634	$76	42
	BCM Manager	5,473	9,422	3,949	9398	$121	33
	Environ./ Acoustic Monitoring	180,000	64,493	-115,507			
	North Tower	130,000	99,949	-30,051			
9	Surveys / Data Collection	184,768	195,811	11,043			
	BCM Regulatory Specialist	26,436	30,930	4,494	5620	$95	47
	As-Needed CSOs						
	Geo / Civil / Topo / Building	130,000	127,692	-2,308			
	HazMat & Environmental						
	HazMat: North Tower	16,448	25,305	8,857			
	Environ: Sequioa	6,240	6,240	0			
	Environ: Delta	1,344	1,344	0			
	Environ: Duffy	4,300	4,300	0			
10	A/E Additional Services	376,050	411,155	35,105			
11	Site Control	6,000	6,000	0			
12	Program Cost	34,320	34,320	0			
	subtotal Project Control	$9,544,654	$10,899,490	$1,354,835			
	Relocation Construction						
13	Construction	1,310,161	1,304,290	-5,871			
14	FFE / Teledata (Relocation)	55,000	51,612	-3,388			
	subtotal Relocation Construction	$1,365,161	$1,355,902	-$9,259			
15	**Art Enrichment**	$288,568	$274,732	-$13,836			
16	**Hazardous Materials Abatement**	$216,171	$215,199	-$972			
17	**FFE / Teledata (New Construction)**	$257,400	$293,838	$36,438			
	Total Supplemental Request	$51,704,095	$54,450,431	$2,746,336			

Attachment V

related to Buildings

ITEM	DESCRIPTION	CONTRACT WORK	EXTRA WORK	COMMENTS	Stage of Completn
	OPERATOR HOUSE				
1	Bid Item BR-3 Remove & Reset OH	$21,977.00			half done
2	Bid Item BR-4 Rehabiliate OH	$14,286.00		All spent when delete work.	done
3	New Operator House		$190,000.00		not done
4	Plumbing & Electrical		$20,000.00		not done
		$36,263.00	$210,000.00	**246,263**	
	WATCHMAN HOUSE				
1	Bid Item BR-5 Remove & Reset WH	$16,135.00			half done
2	Watchman House Repairs		$95,000.00		not done
		$16,135.00	$95,000.00	**111,135**	
	ELECTRICAL ENCLOSURE				
1	Bid Item BR-6 Electrical Enclosure	$65,692.00			half done
2	Addition Freight CO	$21,500.00			not done
		$87,192.00	$0.00	**87,192**	
	CONTINGENCY (20%)			**88,918**	
	TOTAL			533,508	746,911 incl. Soft costs

1/21/2005

Item 2 - File 05-0165

Department: Airport

Item: Resolution approving a new Remote Terminal Food and Beverage Lease between Bassam & Nancy Shihadeh doing business as Deli Up Café, and the City and County of San Francisco, acting by and through its Airport Commission.

Location: The Skywest Terminal Building, outside of Terminal 3.[1]

Description: The proposed resolution would authorize the Airport to lease approximately 310 square feet to Bassam & Nancy Shihadeh, a Disadvantaged Business Enterprise (DBE) firm doing business as Deli Up Café, to operate a food and beverage establishment in the remote domestic terminal nearest to Boarding Area "F" in Terminal 3. The space is currently being operated under a 30-day permit issued by the Airport to Deli Up Café.

Lessor: City and County of San Francisco, acting by and through its Airport Commission.

Lessee: Bassam & Nancy Shihadeh doing business as Deli Up Café.

Term of Lease: The proposed Remote Terminal Food and Beverage Lease has a term of five years, plus a 90 day construction period, with five one-year options to extend, exercisable by the Airport. The initial term of the lease would begin July 1, 2005 and expire June 30, 2010. The construction period is estimated to begin April 1, 2005 and end June 30, 2005.

Number of Square Feet: Approximately 310 square feet.

Background: The previous lease for the 310 square feet at the same Airport location was with Host International, Inc. (Host). That lease expired on August 31, 2004. The award of the proposed new lease was recommended for approval by the Airport Commission on September 13, 2004, but will not begin until July 1, 2005 because, according to Mr. David

[1] Skywest is part of United Airlines and services commuter flights, with regional jets.

Pfeiffer of the Airport, the Airport wanted to establish the Airport's Domestic Terminal Food and Beverage Redevelopment Program, comprised of 30 Direct Leases with over 82% local participation and 70% DBE participation, before beginning the proposed subject lease. Mr. Pfeiffer states that in order to provide Airline passengers with continued service, Host retained the operation of the leased premises under a month-to-month permit, which terminated on January 31, 2005. During the five months that Host was operating under a month-to-month permit, the rent paid by Host to the Airport was 9.24 percent of food and non-alcoholic beverage sales (no alcoholic beverages were sold at this location), the same percentage paid by Host under its previous Master Lease with the Airport.

Under the previous Master Lease Program, Host had an exclusive lease to provide food and beverage service for immediate consumption at Domestic Terminals 1, 2 and 3. On August 31, 1994, the Airport Commission exercised an option extending the Host lease to August 31, 2004.

The Master Lease with Host comprised 46 different locations, which included the space under the proposed new lease. Annual rent for that space under the Master Lease with Host was the higher of the Minimum Annual Guarantee (MAG) of $3,338,839 for all 46 locations or the sum of the following percentages: 9.24 percent of food and non-alcoholic beverage sales and 15.24 percent of alcoholic beverage sales. Under that previous Master Lease, Host paid the Airport $3,469,130 in rent in CY 2004 and $4,516,391 in rent in CY 2003 for all 46 locations, based on the percentages of sales stated above.

On December 12, 2003, the Board of Supervisors approved a resolution (File No. 03-1710), authorizing a Direct Lease Program, with individual lessees, instead of one Master Lessee, under the Airport's Domestic Terminal Food and Beverage Redevelopment Program, currently comprising 30 lessees, instead of having one Master Tenant (Host International) as was previously the case.

Annual Rent Payable by Bassam & Nancy Shihadeh to the Airport:

Under the subject proposed new lease, effective July 1, 2005, the base rent payable by Bassam & Nancy Shihadeh to the Airport is the greater of either the Minimum Annual Guarantee (MAG) of $12,400 annually, or $1,033 per month, based on $40 per square foot annually, or the sum of the following tiered rent percentages:

- 6% of Gross Revenues realized up to and including $600,000;
- plus 8% of Gross Revenues realized between $600,000.01 up to and including $1,000,000;
- plus 10% of Gross Revenues realized over $1,000,000.

Mr. Pfeiffer estimates that, initially, the new lessee will pay the Airport rent based on gross revenues of between $500,000 and $700,000 resulting in estimated rent paid to the Airport of between $30,000 and $44,000 annually, as shown in the table below.

Gross Revenues	Rent
$500,000	$30,000 (6% of $500,000)
$600,000	$36,000 (6% of $600,000)
$700,000	$44,000 (6% of $600,000 + 8% of $100,000)

Mr. Pfeiffer notes that the lessee projects gross revenues to grow to $700,000 after the first full year of operation, and continue to grow at a rate of 7% annually. Based on the lessee's projections, the Airport anticipates receiving the following in rent for the next five years:

Year	Gross Revenues	Rent
2005-2006	$600,000	$36,000
2006-2007	$700,000	$44,000
2007-2008	$749,000	$47,920
2008-2009	$801,430	$52,114
2009-2010	$857,530	$56,602

Attachment I, provided by Mr. Pfeiffer, shows gross revenues of the subject premises under the former Master Lease with Host from September, 2004 through January, 2005. As shown in Attachment I, the average monthly gross revenues were $44,681 and the average monthly rent paid by Host to the Airport, based on 9.24 percent of sales, was $4,129 resulting in estimated average annual gross revenues of $536,172 and average annual rent paid by Host to the Airport of $49,548.

Notably, as discussed above, the tiered rent structure under the subject proposed new lease would be between 6 and 10 percent of gross revenues, depending on the amount of the total gross revenues. Therefore, in order for the Airport to receive the same average rent from the proposed new lease as they received under the prior lease with Host, the new lessee would need to average $64,583 in monthly gross revenues, or $775,000 annually, based on the proposed tiered rent structure of between 6 percent to 10 percent of gross revenues. Based on the proposed new lessee's sales projections stated above, the new proposed business will not achieve $775,000 in annual sales until after its third year of operation. However, Mr. Pfeiffer notes that the rent structure, as set by the Airport under this proposed new lease, is the same rent payable by the Airport's other lessees, under the Domestic Terminal Food and Beverage Redevelopment Program, which was previously approved by the Board of Supervisors.

Mr. Pfeiffer further notes that the new rent structure was based on the cost of improvements, street pricing[2] of products, and higher food costs associated with the new businesses. Mr. Pfeiffer notes that the new Direct Lease Program is expected to generate approximately $6 million in gross revenues from the 30 lessees in its first year of business, or $1.5 million more than the $4.5 million in revenues which Host International grossed in 2003 under its prior Master Lease with the Airport.

[2] According to Mr. Pfeiffer, in contrast to the inflated prices of food and beverages previously sold at the Airport under Host International's Master Lease, the prices of the food and beverages sold under the Airport's Direct Lease Program are lower and are comparable to prices on the same goods sold outside of the Airport, otherwise known as "street pricing".

During the construction period, the lessee will operate a cart set up in front of the premises as authorized by the Airport Director in order to ensure continuous food and beverage service to the passengers utilizing this Terminal. During this 90-day period, the lessee will pay rent to the Airport based on 20% of the gross revenues realized. Further, effective February 1, 2005, under a permit authorized by the Airport, the proposed lessee is presently paying the Airport rent based on 20 percent of gross revenues. Mr. Pfeiffer explains that the Airport is charging the higher rent under the permit because the lessee has not yet invested in any capital improvements.

Maintenance and Repairs: The lessee is responsible for all maintenance and repairs within the leased premises.

Use of Request For Proposal Procedures To Award Lease: According to Mr. Pfeiffer, the Airport issued a Request for Proposals (RFP) during the week of March 1, 2004. The RFP was noticed through:

- A press release to all of the local news media
- A letter of interest to over 1,000 interested parties
- Advertising in minority newspapers – The Bay Times, China Press, Chinese Times, El Latino, El Reportero, New Bayview and Small Business Exchange
- Notice in the Bids and Contracts Database with the City and County of San Francisco
- Posting on the Airport's website

Mr. Pfeiffer advised that the Airport received four proposals on June 2, 2004 for the subject proposed Remote Terminal Food and Beverage Lease. Mr. Pfeiffer states that Airport determined that three of the four proposals met the minimum qualification requirements and were otherwise responsive, and based on an evaluation by a three-member panel, consisting of three Airport employees, an Airline Station Manager and two Food and Beverage Consultants, Bassam & Nancy Shihadeh received the average highest score. As previously noted, on September 13, 2004, the Airport Commission recommended that the lease be awarded to

Bassam & Nancy Shihadeh. Attachment II, provided by Mr. Pfeiffer, contains the selection criteria, weights, and the final scores of the three proposals which met the minimum qualification requirements.

Adjustments to MAG: Annual adjustments to the MAG will be based on percentage changes to the Consumer Price Index (CPI) for the Bay Area annually. The proposed rental terms for this lease are the same as the 28 direct leases for the Airport Domestic Terminals Food and Beverages Program approved December 12, 2003 by the Board of Supervisors (File No. 03-1710).

Other Fees Payable By Lessees to the Airport: Although the lessee is required to pay the Airport an additional annual Tenant Infrastructure Fee calculated at $15 per square foot, equal to $4,650 annually or $388 per month, the Airport has waived that fee, as explained in Attachment IV provided by Mr. Pfeiffer. The lessee will also be required to pay the Airport an annual promotional charge calculated at $1 per square foot of the premises, or $310, as soon as the Promotional Program, to which the fee is tied, is established. Attachment III, provided by Mr. Pfeiffer, contains further information pertaining to the Promotional Program.

Capital Improvements: The lessee is required to invest a minimum of $250 per square foot for capital improvements to the premises, or a total of $77,500. Mr. Pfeiffer states that the lessee will be responsible for its own construction and will select its own construction contractor, who must meet Airport construction standards.

Recommendation: Approve the proposed resolution.

Host International, Inc.
Java City (Remote Terminal)
Rent-Food: 9.24%

Month	Sales	Rent Payable
Jan. 2005	$ 47,972.08	$ 4,433.49
Dec. 2004	$ 49,479.18	$ 4,573.37
Nov. 2004	$ 42,329.07	$ 3,912.40
Oct. 2004	$ 43,892.75	$ 4,057.18
Sep. 2004	$ 39,734.00	$ 3,671.42
Average	**$ 44,681.42**	**$ 4,129.57**

Source: San Francisco International Airport

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
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www.flysfo.com

February 25, 2005

BY FACSIMILE TO 415.252.0461

Office of the Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102
Attn: Harvey Rose

Subject: Approval of the Remote Terminal Food and Beverage Lease

Dear Mr. Rose:

Per Rebekah Krell's request of February 25, 2005, here is the information for the above-mentioned subject.

The selection and scoring criteria used for this Lease are as follows:

Criteria	Points
Experience	15
Financial Strength	15
Business Plan	20
Tenant Product Mix	15
Construction/Operations/Management Plan	15
Design Intent	20
	100

Proposers must have provided the following information:

Experience.

(a) Proposer's experience in owning and/or managing a food and beverage business. Please specifically describe Proposer's experience in owning and/or managing a food and beverage business.

Financial Strength.

(a) Provide information demonstrating Proposer's financial strength and ability to operate the Concession Opportunity successfully. If historical financial statements show a net loss, provide rationale and describe Proposer's plan to avoid further financial loss.

(b) Describe in detail, the method and source in which capital funding will be appropriated for the Concession Opportunity.

Business Plan.

(a) Present five-year revenue forecast for the Concession Opportunity.
(b) Provide in detail the forecasted net profit, cost of sales, labor and expenses.
(c) Provide revenue analysis of five year forecast, demonstrating operational plan for increasing capture and increasing revenues per enplanement on an annual basis.

Tenant Product Mix. Provide the following:
(a) A detailed description of concept and the menu offerings layout of the product categories.
(b) A completed detailed list of the menu offerings and the anticipated price ranges therefore.
(c) Describe how the theme of the concept for the facilities will appeal to the travelling public and provide incremental revenues.

Construction/Operation/Management Plan. Provide the following information:
(a) Proposed construction plan, outlining plan for construction of Tenant's alterations and improvements, and minimum investment expenditures.
(b) Staffing plan for the facility.
(c) Customer service philosophy and program. Plans for marketing, promotions and discounts.
(d) Proposed cash control system.
(e) Delivery schedule and logistics.
(f) Cleaning and maintenance of Premises.

Design Intent: Provide an overall description of the food and beverage facility concept and theme. Provide a description of rationale and justification for selecting the theme of the facilities and how the proposed theme will enhance the overall food and beverage concession program and appeal to the traveling public. If possible, include design drawings and description of materials and finishes on standard letter-sized pages, which will be used for the food and beverage facility.

The chart below shows the scores of the three competing proposals for the lease.

Remote Terminal Food and Beverage Lease Overall Scores			
	Sam & Nancy Shihadeh dba Deli Up Café	H. Young Enterprises, Inc. dba Just	WSE Group, Inc. dba Java City
Panel 1	88.80	80.40	62.20
Panel 2	74.40	75.00	75.00
Panel 3	70.20	69.20	64.60
Average Score	***77.80***	***74.87***	***67.27***

Please let us know if you require additional information.

Sincerely,

David W. Pfeiffer
Associate Deputy Director
Revenue Development and Management

cc: Leo Fermin
Cathy Widener
Gigi Ricasa
Rebekah Krell

Attachment III

SFO

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

February 28, 2005

BY FACSIMILE TO 415.252.0461

Office of the Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102
Attn: Harvey Rose

Subject: Remote Terminal Food and Beverage Lease

Dear Mr. Rose:

This is to respond to Rebekah Krell's inquiry regarding the Promotional Program. Since 1998, a provision about this Program is set in all of the concession leases. It is established to charge all concession and services tenants to offset the cost of a concession-only marketing program. The annual initial charge is $1 per square foot.

Due to extenuating circumstances, such as the 9/11/2001 events, SARS, and the Gulf conflict, the Airport has not been able to launch such a program. The Airport will continue to include the Promotional Program in its concession leases so that once the economy and traffic return to SFO, we can implement such a concession-only marketing program and institute such charges to off set the Program's cost.

As always, do not hesitate to contact us should you require additional information.

Sincerely,

David W. Pfeiffer
Associate Deputy Director
Revenue Development and Management

Attachments

cc: Leo Fermin
Cathy Widener
Gigi Ricasa
Rebekah Kreil

Attachment IV

SFO

San Francisco International Airport

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San Francisco, CA 94128
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www.flysfo.com

March 3, 2005

BY FACSIMILE TO 415.252.0461

Office of the Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102
Attn: Harvey Rose

Subject: Remote Terminal Food and Beverage Lease

Dear Mr. Rose:

This is to respond to your inquiry regarding the waiver of the Infrastructure Fee. At the Lessee's request, the Airport waived this fee rather than the Airport as initially agreed, based on the following conditions:

(1) This Remote Terminal is in a remote site and not tied to any of the other food and beverage facilities under the Domestic Terminals Food and Beverage Redevelopment Program.
(2) The cost of upgrading the infrastructure this facility is not included in the Infrastructure Fee budget for the aforementioned Program.
(3) Further delays may result should the Airport perform the infrastructure upgrade.
(4) The Airport is relieved of any responsibility for the improvements of the infrastructure for the leased premises.

As always, do not hesitate to contact us should you require additional information.

Sincerely,

David W. Pfeiffer
Associate Deputy Director
Revenue Development and Management

cc: Leo Fermin
Cathy Widener
Gigi Ricasa
Rebekah Krell

Item 3 - File 04-1272

Departments: Ethics Commission
Elections Commission

Item: Supplemental appropriation ordinance of $423,750 from the General Fund Reserve to increase funds in the Election Commission's FY 2004-2005 Election Campaign Fund for the purpose of public financing of all eligible candidates for the Board of Supervisors.

Amount: $423,750

Source of Funds: General Fund Reserve

Description: In November of 2000, the voters of San Francisco approved Proposition O, or the Fair Elections Ordinance, that required the Ethics Commission to implement a Public Financing Program for candidates for the Board of Supervisors. Under Proposition O, candidates for the Board of Supervisors who raise at least $5,000 in private contributions and accept voluntary spending limits are eligible to receive a maximum of $43,750 in public matching funds.

The proposed ordinance would retroactively appropriate $423,750 of monies from the General Fund Reserve to partially reimburse the Ethics Commission for public matching fund disbursements previously paid from the Ethics Commission's FY 2004-2005 general operating fund budget to 23 eligible candidates for the Public Financing Program related to the November of 2004 election for the Board of Supervisors.

Comments: 1. According to Mr. John St.Croix of the Ethics Commission, 25 candidates, seeking election to the Board of Supervisors in the November 2, 2004 election, applied for public matching funds through the City's Public Financing Program. 23 of the 25 candidates who applied for public matching funds were certified as eligible to receive such funds.

The following table, compiled by the Budget Analyst using information found on the Ethics Commission website, lists

the 23 candidates who received public matching funds, the districts they ran in, and the total amount of public matching funds disbursed to each of the 23 candidates:

Candidate	District	Amount Disbursed
Matt Tuchow	1	$41,067
Jake McGoldrick	1	43,750
Leanna Dawydiak	1	26,728
David Pascal	2	25,854
Brain O'Flynn	3	37,735
Eugene Wong	3	31,864
Lisa Feldstein	5	35,792
Bill Barnes	5	40,575
Robert Haaland	5	41,294
Susan King	5	14,740
Dan Kalb	5	26,139
Jim Siegel	5	27,352
Nick Waugh	5	35,644
Brett Wheeler	5	35,957
Andrew Sullivan	5	28,227
Ross Mirkarimi	5	29,501
Christine Linnenbach	7	43,750
Vernon Grigg	7	41,661
Tom Ammiano	9	35,000
Renee Saucedo	9	33,845
Lucrecia Bermudez	9	24,904
Jose Medina	11	27,224
Rebecca Silverberg	11	29,075
	TOTAL	$757,678

Source: http://www.sfgov.org/site/ethics_page.asp?id=13931

2. As shown in the table above, a total of $757,678 was disbursed to the 23 candidates eligible for public matching funds. According to Mr. St.Croix, the Ethics Commission has already paid the $757,678 to the 23 eligible candidates using funds from the Ethics Commission's general operating fund budget. Therefore, the proposed ordinance should be amended to provide for retroactivity of funds previously paid.

3. The FY 2004-2005 Annual Appropriation Ordinance, as previously approved by the Board of Supervisors, included $961,187 in the Ethics Commission's budget for the Public Financing Program, of which $670,000 was appropriated for the Election Campaign Fund for payment to eligible candidates. The Election Campaign Fund is the fund that was established for making disbursements of public matching funds to eligible candidates for the Board of Supervisors, as mandated by Proposition O. The remaining balance of $291,187 ($961,187 less $670,000) was to be used for balancing the FY 2004-2005 Ethics Commission budget to pay for a portion of the Ethics Commission's administrative expenses related to the implementation of Proposition O, including staff salaries, supplies and materials, and rent. The Budget Analyst notes that the $670,000 appropriated to the Election Campaign Fund for FY 2004-2005 is $87,678 less than the actual amount of $757,678 in public matching funds paid to the 23 eligible candidates.

4. According to Mr. St.Croix, the Ethics Commission notified the Mayor's Office on September 2, 2004 that there would be insufficient funds in the Election Campaign Fund to fund all candidates who may be eligible to receive public matching funds. According to Mr. Ben Rosenfield of the Mayor's Office, on September 16, 2004, the Mayor's Budget Office, given time constraints involving in the processing of a supplemental appropriation and the pending November 2, 2004 election, requested that the Ethics Commission use its FY 2004-2005 appropriated budget of $670,000 in the Election Campaign Fund as well as any available unexpended balances in the FY 2004-2005 Ethics Commission budget to pay for the balance of monies needed for the public matching funds, which in this case was $87,678 ($757,678 less $670,000).

5. On September 14, 2004, the proposed supplemental request was submitted based upon estimates made by the Ethics Commission for the potential shortfall in the Election Campaign Fund. According to Mr. St.Croix, the potential estimated shortfall of $423,750, which is the subject of this request, was based on the assumption that all 25 candidates who had applied for public matching

funds[1] would each be paid the maximum amount allowed, or $43,750. As a result, the amount estimated by the Ethics Commission for the total need in the Election Campaign Fund for the 2004 election was $1,093,750 (25 multiplied by $43,750). Because, as previously noted, the Ethics Commission's FY 2004-2005 budget included $670,000 appropriated to the Election Campaign Fund, this supplemental appropriation request is for the balance of $423,750 ($1,093,750 less $670,000).

6. As previously noted, the total public matching funds already paid to the 23 qualifying candidates was $757,678. Therefore, in addition to the $670,000 previously appropriated to the Election Campaign Fund for FY 2004-2005, the balance of funds needed is $87,678 ($757,678 less funds available of $670,000). As a result, the subject requested amount of $423,750 should be reduced by $336,072 to provide for the balance of $87,678 in needed funds. The amount of $87,678 would reimburse the FY 2004-2005 Ethics Commission budget, which according to Mr. St.Croix, should approximately balance out the budget for FY 2004-2005.

Recommendations:

1. In accordance with Comment No. 2, amend the proposed ordinance to provide for retroactivity of funds previously paid.

2. In accordance with Comment No. 6, amend the proposed ordinance by reducing the requested amount by $336,072, from $423,750 to $87,678.

3. Approve the proposed ordinance, as amended.

---

[1] The projected shortfall, as estimated by the Ethics Commission, was made after applications for the Public Financing Program were due but prior to the candidates' certification of eligibility. Therefore, at the time the supplemental request was prepared, it was unknown as to how many of the 25 applicants would be eligible to receive public matching funds.

Item 4 - File 05-0137

Note: According to Ms. Erin McGrath of the Mayor's Budget Office, an Amendment of the Whole of the proposed ordinance, which amends the FY 2004-2005 Annual Salary Ordinance (ASO), has been submitted to the Board of Supervisors. This report is based on the Amendment of the Whole.

Department: Mayor's Office
Human Resources Department (HRD)

Item: The proposed Ordinance would amend the FY 2004-2005 Annual Salary Ordinance (ASO) reflecting deletion of 7.40 Full Time Equivalent (FTE) positions, representing 17.0 FTE positions on an annualized basis. The 7.40 positions represent laid-off City employees in seven departments, the Airport Commission, Human Rights Commission, Human Resources Department, Human Services Department, Department of Public Works, Recreation and Park Department and the Department on the Status of Women.

Description: By approving this proposed ordinance, an equivalent number, or 17 employees, would be authorized to take early retirement under the provisions of Proposition F approved by the voters in November of 2003, if such employees work in classifications where the 17 subject layoffs have occurred. It would then be possible for the laid off employees to fill the vacant positions which result from employees taking early retirement.

In determining an employee's eligibility under the provisions of Proposition F, the employees who take early retirement are treated as if they were three years older than their actual age, and had worked for the City for three years longer then their actual duration of employment with the City.

Normally, City employees may retire at age 50 if they have worked for the City for 20 or more years or at age 60 if they have worked for the City for 10 or more years. Under Proposition F, City employees who work in a classification where a layoff has occurred would be eligible to take early retirement. The number of such early

retirements are limited to the total number of employees who are laid off.

This proposed ordinance, amending the FY 2004-2005 Annual Salary Ordinance, would formally eliminate 7.40 FTEs representing 17 positions on an annual basis. These 7.40 FTEs were laid off to partially offset the City's projected FY 2004-2005 and FY 2005-2006 revenue shortfall of $97.0 million due to the voters' disapproval of Proposition J and Proposition K, which resulted in a reduction in anticipated Sales Tax and Business Tax revenues, in November of 2004. Such layoffs have occurred in classifications where the Human Resources Department has identified employees, occupying the same position classifications elsewhere in the City that are eligible for early retirement. As previously noted, should employees choose to take early retirement, the subject 17 employees who were laid off could potentially accept City employment in the positions that would become vacant because of other employees taking early retirement.

The Attachment to this report lists the 7.40 FTE (17 positions on an annual basis) that would be deleted from the City's FY 2004-2005 Annual Salary Ordinance. As shown in the Attachment, the elimination of these 17 positions results in savings of $581,021 in FY 2004-2005 ($533,249 in General Fund savings) and full year savings of $1,318,703 ($1,214,851 in General Fund savings) beginning in FY 2005-2006 at current salary levels.

Recommendation: Approve the proposed ordinance.

Attachment

Department	No. of Positions	Class	Title	Biweekly and Annual Salaries per Position: Step 1 Biweekly	Step 1 Annual	Step 5 (or top step) Biweekly	Step 5 (or top step) Annual	FY 2004-2005 Savings	FY 2005-2006 Savings
Airport Commission	1.00	0931	Manager III	2,969	77,491	3,979	103,852	$ 47,772	$ 103,852
Human Rights Commission	1.00	2978	Cont. Comp. Off. II	3,138	81,902	3,815	99,572	45,803	99,572
Human Resources	1.00	1218	Payroll Supervisor	2,371	61,883	2,882	75,220	34,601	75,220
Human Services	1.00	8482	Crime Prevention Worker	1,539	40,168	1,867	48,729	22,415	48,729
Human Services	1.00	8484	Crime Prevention Worker Supv.	1,849	48,259	2,247	58,647	26,977	58,647
Public Health	1.00	2924	Medical Social Work Supv.	2,521	65,798	3,064	79,970	36,786	79,970
Public Works	1.00	5366	Engineering Associate II	2,281	59,534	2,772	72,349	33,281	72,349
Public Works	2.00	8207	Bld. And Gnds. Control Ofcr.	1,539	40,168	1,867	48,729	24,364	97,457
Recreation and Park	1.00	3280	Assistant Recreation Dir.	1,407	36,723	1,706	44,527	20,482	44,527
Recreation and Park	2.00	3284	Recreation Director	1,495	39,020	1,814	47,345	43,558	94,691
Recreation and Park	2.00	3284	Recreation Director	1,495	39,020	1,814	47,345	43,558	94,691
Recreation and Park	2.00	3284	Recreation Director	1,495	39,020	1,814	47,345	43,558	94,691
Dept. on the Status of Women	1.00	1824	Principal Admin. Analyst	2,855	74,516	3,470	90,567	41,661	90,567
Total	17.00						**Total Salaries**	$ 464,816	$ 1,054,962
							Mandatory Fringe Benefits @ 25%	116,204	263,741
							Total Savings	$ 581,021	$ 1,318,703

Item 5 - File 04-1677

Department: Department of Elections (DOE)

Item: Hearing to review and discuss the Department of Elections' Ranked Choice Voting Outreach and Education Services Grant Program for the November 2, 2004 election.

Request: The Budget Analyst was requested to prepare a report to accompany this hearing on the Department of Elections' Ranked Choice Voting Outreach and Education Services Grant Program. Specifically, the Office of the Sponsor requested that the Budget Analyst provide analysis of the effectiveness of the grant program monies previously expended.

Background: On March 5, 2002, San Francisco voters approved a Charter Amendment (Proposition A) that requires the City to utilize Ranked Choice Voting (RCV). RCV allows voters to select a first, second, and third choice on their ballots, eliminating the need for a separate runoff election. In accordance with Proposition A, RCV is to be used in Supervisorial races and Citywide elections for a single office, including Mayor, District Attorney, City Attorney, Treasurer, Assessor, Sheriff and Public Defender.

According to Ms. Suzanne Berg, Deputy Director of Administration for the Department of Elections (DOE), and as shown in Attachment I compiled by the Budget Analyst, DOE has expended a total of $851,000 in General Fund monies, previously appropriated by the Board of Supervisors for Ranked Choice Voting (RCV) outreach and education in FY 2004-2005. Of the $851,000 in such previous expenditures, $198,788, or 23.4%, was allocated to ten nonprofit community based agencies, each of whom received RCV Outreach and Education Services grants. As shown in Attachment I, such grants ranged from $1,305 to $62,635. The balance of the $851,000, or $652,212 was expended for brochures, advertising, website, training, staff, materials, postage, and related items as shown in Attachment I.

Ranked Choice Voting Outreach and Education Services Grant Program:

As shown on page 3 of Attachment II, provided by Ms. Linda Tulett, Deputy Director of the DOE, the purpose of the RCV Outreach and Education Services grant program was to "reach as many of San Francisco voters as possible to educate and inform them about Ranked Choice Voting." Attachment II further states that the grant program was intended to "increase voter understanding of Ranked Choice Voting in a measurable way." Ms. Tulett advises that DOE began to implement the outreach and education services grant program effort in advance of the November 2, 2004, election, which began with a Request for Proposals (RFP) issued by DOE, and sent to over 500 community-based nonprofit agencies, to provide RCV community outreach and education services to a) each of the eleven Supervisorial Districts, b) areas with historically low voter turnout, and c) communities targeted on the basis of age, physical ability, language, race, and ethnicity. Ms. Tulett further advises that DOE received 14 proposals in response to its RFP and made grant awards to ten nonprofit organizations.

The budget in Table I below, and as shown on page 3 of Attachment II, identifies a) the ten nonprofit organizations that received funding; b) the Supervisorial Districts, areas identified with historically low voter turnout and target groups assigned to each organization; and c) the amount of the grant awarded to each organization:

Table I

Grantee Organization	District (#'s) / Target Group	Grant Awarded
Senior Action Network	5,6,8,9, Civic Center, SOMA, Western Addition, Seniors, Disabled, Youth	$62,635
Asian Law Caucus	1,3,4, Chinese Speakers	$45,110
Housing Conservation & Development Corporation	11,7, Excelsior, Ingleside	$25,000
A. Philip Randolph Institute	10, Visitacion Valley, Bay View Hunter's Point, African-Americans	$17,090
CARECEN/PODER	Spanish Speakers, Youth	$16,100
Self-Help for the Elderly	Seniors, Disabled	$12,000
League of Women Voters	2, Laurel Heights / Anza Vista	$11,700
Rose Resnick Lighthouse for the Blind & Visually Impaired	Visually Disabled	$4,848
Chinatown Community Development Center	Chinatown	$3,000
Vietnamese Elderly Mutual Assistance Association	Vietnamese Speakers	$1,305
	TOTAL	**$198,788***

*Amounts above report actual grants awarded totaling $198,788, or $1,362 less than the budgeted amounts of the grants, which totaled $200,150, as shown on page 3 of Attachment II.

Measuring the Effectiveness of the Ranked Choice Voting Outreach and Education Grant Program:

Cost of grant award per voter reached

Table II below, compiled by the Budget Analyst based on information provided by DOE, shows a) the names of the grantee organizations that received funding, b) the amount of each grant that was actually paid, c) the estimated number of voters reached through presentations, and d) the grant award per voter reached in presentation:

Table II

Grantee Organization	Grant Award Paid	Est. No. of Voters Reached Through Presentation[1]	Grant Expenditures per Voter Reached through Presentation
	(a)	*(b)*	*(a) divided by (b)*
Senior Action Network	$62,635	5,000	$12.53
Asian Law Caucus	$45,110	1,000	$45.11
Housing Conservation & Development Corporation	$25,000	1,400	$17.86
A. Philip Randolph Institute	$17,090	1,000	$17.09
CARECEN/PODER	$16,100	1,400	$11.50
Self-Help for the Elderly	$12,000	900	$13.33
League of Women Voters	$11,700	1,000	$11.70
Rose Resnick Lighthouse	$4,848	200	$24.24
Chinatown Community Development Center	$3,000	1,600	$1.88
Vietnamese Elderly Mutual Assistance Association	$1,305	175	$7.46
TOTAL	**$198,788**	**13,675**	
Average of total grants awarded per voter reached through presentation: ($198,788 divided by 13,675)			*$14.54*

As shown in Table II above:

- The average cost of the total grant expenditures per voter reached through presentation by the nonprofit agency grantees is $14.54
- The two grantee organizations paid the smallest grant awards, the Chinatown Community Development Center at $3,000 and the Vietnamese Elderly Mutual Assistance Association $1,305, had the lowest "grant expenditures per voter reached through presentation," at $1.88 and $7.46 respectively, of the ten grantee nonprofit organizations
- The Asian Law Caucus, which received the second highest grant award at $45,110, had an average grant expenditure of $45.11 per voter reached through presentation, or 3.1 times more than the average grant expenditures of $14.54 per voter reached for all of the presentations made by the ten nonprofit agency grantees.

As of the writing of this report, Ms. Tulett advises that DOE could not identify the reason that the average grant expenditures by the Asian Law Caucus of $45.11 per voter

[1] According to Attachment II, the estimated number of voters reached through presentations is based on self-reporting by the grantee organizations.

reached through presentation were 3.1 times more than the average grant expenditures made by the ten nonprofit agency grantees.

Ms. Tulett advises that the DOE did not establish an expenditure target amount for each voter reached through presentation by the nonprofit grantee organizations in advance of the RFP process. Ms. Tulett further advises that differences in the amount of grant expenditure per voter reached through presentation may be accounted for by a) differences in timeframe among grantee organizations as a result of when contracts were finalized, b) differences in outreach methods by the grantee organizations, c) differences in self-reporting by the grantee organizations, d) variation in the levels of outreach by the grantee organizations, or e) any combination of these factors.

<u>Result of presentational outreach and education efforts</u>
Ms. Tulett advises that the nonprofit grantee organizations administered post election surveys to track presentation effectiveness at educating voters on how to use their Ranked Choice Voting ballots in the November 2, 2004, general election. According to Mr. Charles MacNulty, a DOE Outreach Coordinator, most of the nonprofit grantee organizations used contact information gathered at RCV outreach and education presentations that such grantee organizations had conducted. Mr. MacNulty further advises that the remainder of the nonprofit grantee organizations utilized existing client lists for post election survey contacts.

The Budget Analyst notes that post election surveys conducted by the nonprofit grantee organizations were neither a) administered to a random sample of San Francisco residents, nor b) administered solely to RCV outreach and education presentation participants. Therefore, the results of the post election surveys are neither a) statistically significant, nor b) an accurate measurement of the effectiveness of the RCV Outreach and Education Services Grant Program.

As reported on page 12 of Attachment II ("Ranked-Choice Voting Community Outreach & Education Grants 2004 Final Report"), 66% of post election survey respondents

attended a presentation by one of the nonprofit grantee organizations. The report further states that 72% of respondents felt comfortable using RCV.

Attachment III, provided by Ms. Tulett, is a sample "Post Election Survey" that was used by the ten nonprofit agency grantee organizations. Mr. MacNulty advises that post election surveys were conducted by telephone.

Findings:

In attempting to determine the effectiveness of the Department of Elections' Ranked Choice Voting Outreach and Education Grant Program, the Budget Analyst found a) the grant expenditures per voter reached through presentation ranged from $1.88 to $45.11, and averaged $14.54; and b) inadequate data was collected to accurately measure the result of the presentational outreach and education efforts on voters' ability to understand their RCV ballots in the November 2, 2004 general election.

The Budget Analyst concludes that a) the DOE has not tracked the effectiveness of the expenditures incurred in its RCV outreach and education grant program or produced a clear evaluation; b) the DOE did not establish an outreach and education methodology or targets for grant expenditures per voter reached through direct outreach or advertising in advance of its RFP or grant awarding process; and c) the DOE has expended all of the $851,000 that was appropriated in General Fund monies by the Board of Supervisors for RCV outreach and education, including $198,788 for its RCV outreach and education services grants allocated to ten nonprofit community-based agencies.

Department of Elections Budget Request for FY 2005-2006:

As shown in Attachment IV, provided by Ms. Berg, DOE is requesting $418,510 in the DOE's FY 2005-2006 budget request for additional RCV outreach and education for the November 8, 2005 general election. That request of $418,510 will include $150,000 for the RCV Outreach and Education Grant Program. Ms. Berg states that DOE believes additional expenditures for RCV outreach and education are justified because a) San Francisco voters who reside in districts that did not have a Supervisorial

election in 2004 have not yet used RCV; b) other San Francisco voters have used RCV in no more than one election; and c) San Francisco voters will use RCV in the next scheduled general election on November 8, 2005, to elect the City Attorney and the City Treasurer on a citywide basis.

Policy Options for Consideration:

Given that the DOE plans to award, through DOE's RFP process, $150,000 in additional RCV outreach and education grants to community-based nonprofit organizations in FY 2005-2006, the Budget Analyst recommends that the Budget and Finance Committee consider the following policy options, requesting that the DOE:

1) Set target amounts in the RFP for any grant funds provided to community-based nonprofit organizations based on the criteria of expenditures per voter reached in presentations by the nonprofit agency grantees.
2) Establish criteria for and a method of measuring outreach and education program effectiveness.
3) Report back to the Budget and Finance Committee in June of 2005 as part of the Board of Supervisors budget deliberations, regarding a) the expenditure plan for outreach and education for FY 2005-2006, b) a description of how future spending will enhance or build on past expenditures and c) the targets and criteria set for measuring RCV outreach and education effectiveness.

Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Daly
Supervisor Elsbernd
Supervisor Ma
Supervisor McGoldrick
President Peskin
Supervisor Alioto-Pier
Supervisor Dufty
Supervisor Maxwell
Supervisor Mirkarimi
Supervisor Sandoval
Clerk of the Board
Controller
Erin McGrath
Ted Lakey
Cheryl Adams

Total Ranked Choice Voting Outreach and Education Expenditures by the Department of Elections in Fiscal Year 2003-2004		
	Description	**Cost**
Monies expended by DOE for RCV outreach and education, excluding grants to community-based organizations	Printed and mailed brochures to every registered San Francisco voter	$113,369
	Produced 150,000 brochures in six languages that were distributed through community presentations, street fairs, festivals, and community-based organizations	$48,777
	Placed two RCV informational pages in the San Francisco voter information pamphlet	$16,760
	Created an absentee voter ballot insert	$15,043
	Advertised in all 17 of the San Francisco neighborhood newspapers, as well as the San Francisco Examiner/Independent and the San Francisco Bay Guardian	$34,068
	Advertised on the rear exterior and in the interior of Muni buses	$12,220
	Created a website with information with an interactive Ranked Choice Voting ballot	$44,950
	Trained existing poll workers and increased their election day pay by $5 from $107 to $112, and hired 761 additional poll workers	$154,979
	Created additional precinct signage and tent cards	$9,204
	Hired additional DOE staff, including a grant coordinator, outreach lead, and Spanish bilingual outreach coordinator	$47,000
	Developed materials for the grantee organizations, including demonstration ballots, district maps, and training videos	$55,422
	Miscellaneous postage	$420
	Multi-ethnic media advertising via Pacific News Service dba New California Media	$100,000
	SUBTOTAL	**$652,212**
Monies expended on grants to community-based organizations	Senior Action Network	$62,635
	Asian Law Caucus	$45,110
	Housing Conservation & Development Corporation	$25,000
	A. Philip Randolph Institute	$17,090
	CARECEN/PODER	$16,100
	Self-Help for the Elderly	$12,000
	League of Women Voters	$11,700
	Rose Resnick Lighthouse	$4,848
	Chinatown Community Development Center	$3,000
	Vietnamese Elderly Mutual Assistance Association	$1,305
	SUBTOTAL	**$198,788**
	TOTAL	**$851,000**

Ranked- Choice Voting Community Outreach & Education Grants 2004
Final Report

In May of 2004 the Department of Elections issued a Request for Proposals (RFP) for community-based organizations to provide Ranked-Choice Voting Public Education and Outreach services. Ten organizations were subsequently awarded $210,000 in grants for the direct delivery of ranked-choice voting information to San Francisco voters. These organizations used informational presentations and workshops, participation in neighborhood and district events, door-to-door canvassing, and coverage in local newspapers and newsletters to inform voters about the new voting method and how to correctly mark ranked-choice ballots.

How the Ranked-Choice Voting Grant Funds Were Distributed[1]

District Grant Funds

The Department of Elections awarded $110,000 in district organization grants to provide ranked-choice voting outreach and education services for each of the eleven Supervisorial Districts. These grants included:

General District Outreach and Education - $90,000

- Seven $10,000 grants for each of the Supervisorial Districts using ranked-choice voting in November 2004 (1,2,3,5,7,9, and 11)
- Four $5,000 grants each for the Supervisorial Districts not using ranked-choice voting in November 2004 (4,6,8, and 10)

Low Voter Turnout Outreach and Education - $20,000

The Department allocated $20,000 to reach neighborhoods in Supervisorial Districts where voter turnout was below the citywide average. For the last six elections, the average citywide voter turnout was 49% . The Department of Elections determined that the following neighborhoods experienced turnout below 40% and allocated funding based on whether they would participate in the November 2004 ranked-choice voting contest:

Using Ranked-Choice Voting in November 2, 2004 Election	
Laurel Heights/Anza Vista (District 2)	$3,000
Chinatown (District 3)	$3,000
Western Addition (District 5)	$3,000
Excelsior/Outer Mission (District 11)	$2,500
Ingleside (District 11)	$2,500
Not Using Ranked-Choice Voting in November 2, 2004 Election	
Civic Center/Downtown (District 6)	$1,500
South of Market (District 6)	$1,500
Bayview/Hunter's Point (District 10)	$1,500
Visitation Valley (District 10)	$1,500

Targeted Grant Funds - $100.000

The Board of Supervisors and the Elections Commission recognized the need to target particular communities with additional information about ranked-choice voting. These targeted communities included communities protected under the Voting Rights Act, seniors, disabled persons, and younger voters.

The Department of Elections awarded grants to provide ranked-choice voting outreach and education services for each of the target communities citywide. The allocation was based on Census 2000 data regarding the size of the community in relation to the overall population of San Francisco (see Appendix). To reach Filipino and Russian communities,

[1] From a memo dated July 9, 2004 from John Arntz, Director of Elections, to the Finance Committee, San Francisco Board of Supervisors.

the "Ranked-Choice Voting Explained" brochure was translated into Tagalog and Russian.[2] Breakdown of these funds included:

African-Americans	$9,090
Chinese Speakers	$20,110
Spanish Speakers	$13,490
Seniors	$15,940
Disabled Persons	$22,560
Younger Voters	$10,610[3]
Vietnamese Speakers	$ 1,350
Tagalog Speakers	$ 4,390
Russian Speakers	$ 2,460

Summary of RCV Outreach Grants to Community-Based Organizations

Grantee Organization	District/Target Group	Grant Award
Asian Law Caucus	1,3,4, Chinese Speakers	$45,110
CARECEN/Poder	Spanish Speakers, Youth	$16,100
Chinatown Community Development Center	Chinatown	$ 3,000
Housing Conservation & Development Corporation (HC&DC)	11, 7, Excelsior, Ingleside	$25,000
League of Women Voters	2, Laurel Heights/ Anza Vista	$13,000
Rose Resnick Lighthouse for the Blind & Visually Impaired	Disabled	$ 4,848
Self-Help for the Elderly	Seniors, Disabled	$12,000
Senior Action Network	5,6,8,9, Civic Center, SOMA, Western Addition, Seniors, Disabled, Youth	$62,652
Vietnamese Elderly Mutual Assistance Association (VEMAA)	Vietnamese Speakers	$ 1,350
A. Philip Randolph Institute (APRI)	10, Visitacion Valley, Bay View Hunter's Point, African-Americans	$17,090

Total $200,150

Project Overview

Community-based organizations were asked by the Department of Elections to provide specific baseline services in their delivery of Ranked-Choice Voting outreach. It was anticipated that they would try to reach as many of San Francisco voters as possible to educate and inform them about Ranked-Choice Voting. In addition, it was hoped that they would also increase voter understanding of ranked-choice voting in a measurable

[2] $6,850 was set aside from the Targeted Grant Funds to produce the RCV brochure in Russian and Tagalog.
[3] $3,000 of the original $10,610 allocation for Younger Voters was not awarded.

way (versus increasing voter turnout, which was a related, but secondary goal). These services were outlined in the grant contract as follows: [4]

Materials - to be developed by each grantee organization per contract target date specified in the agency's contract

- Formal public education/outreach plan
- Presentation/training formats and event calendar
- Database of neighborhood and community groups, associations, organizations and individuals with contact name, address, phone number, and e-mail address to track who was invited, who attended, and any comments.
- Quantitative and qualitative evaluation methods to measure effectiveness of education efforts (surveys, summaries of attendees, etc.)

Collaboration

- Work cooperatively under the oversight of the Grant Administrator and Department of Elections staff to ensure neutrality, consistency, accountability, and accuracy of its own public education and outreach efforts.
- Work cooperatively with other grantees and partners to maximize the effectiveness and efficiency of all public education and outreach efforts.

Monitoring and Reporting

- Report monthly on public education and outreach efforts.
- Respond to requests for information, prepare site visits, and incorporate feedback and recommendations from the Grant Administrator in a timely manner.
- Provide the Department of Elections with a summary of its outreach and education efforts, the effectiveness of collaborative efforts, and issues encountered in implementing and evaluating its plan.
- Manage, account for, and report on the use of awarded funds.

Grantee Performance

Community-based organizations conducted 217 presentations and attended 77 tabling/community events between the end of July and the November 2 election. An estimated 13,700 voters were reached directly through these presentations and events. Grantees reported that they distributed more than 30,000 "Ranked-Choice Voting Explained" brochures in English, Spanish, Chinese, Vietnamese, Russian and Tagalog. In addition, approximately 7,000 flyers were produced by organizations to advertise RCV events or to supplement their tabling materials.

Rose Resnick Lighthouse for the Blind and Visually Impaired produced 80 copies of the RCV informational brochure in Braille as well as 50 audiotapes for client use. *Senior Action Network* included the RCV general information poster in a full-page insert in the Independent newspaper that was circulated citywide to over 250,000 readers. *Self-Help for the Elderly* distributed the RCV poster to Resource Centers for seniors and adults with

[4] Guidelines developed in June 2004 by DOE staff

disabilities as well as to the agency's social service partners and 11 meal site locations. Information about RCV was also included in the League of Women Voters' Pros and Cons Guides and the LWV Easy Voter and was distributed throughout the city as well as made available to the other grantee organizations for their use.

Grantee organizations utilized other media to extend their outreach to voters. *Asian Law Caucus, CARECEN/Poder, HC&DC, League of Women Voters* and *Senior Action Network* contributed articles to local newspapers and/ or were interviewed about Ranked-Choice Voting by Bay Area television and radio outlets. An RCV song, to the tune of "Jingle Bells," was written and recorded by the staff of HC&DC.

RCV Outreach by Grantee Organization

Community-Based Organizations	Number of RCV Presentations Required per Contract/ Actual	Tabling and Community Events	Brochures Distributed	Flyers Created by CBOs	Estimated # of Voters Reached Through Presentations
Asian Law Caucus	28/28	8	~1,000		1,000
CARECEN/Poder	8/22	14	1,200		1,400
CCDC	4/12	-	~3,500		1,600
HC&DC	18/30	-	~1,500	3,000	1,400
LWV	10/17	14	1,281		1,000
Rose Resnick Lighthouse	6/6	-	50 large print		200
Self-Help for the Elderly	8/20	3	2,000	4,000	900
Senior Action Network	38/52	30; 45 SRO hotels and Community Centers	10,000		5,000
VEMAA	3/13	-	~250		175
APRI	12/16	8	~10,000		1,000
Total	**135/217**	77	**~30,781**	7,000	**13,675**

Performance Highlights by Grantee Organization [5]

Asian Law Caucus
District/Target Group – Districts 1, 3,4 and Chinese Speakers

Conducted 36 presentations and community events citywide in English, Chinese and Russian
Set up special Ranked-Choice Voting website; ALC newsletter distributed to 5,000
Targeted ethnic media outlets with RCV message because Chinese voters receive much

[5] Based on information provided in the grantee monthly and final reports and from the RCV Wrap-Up Meeting 11/18/2005.

of their voter information from these sources
Jewish Children and Family Services newsletter (in Russian) was distributed to 2,000
Liked using the RCV outreach materials developed by DOE; found using a laminated RCV demonstration ballot very useful when giving their presentation
Thinks client-based human- service providers have best access to an audience for public information outreach efforts

CARECEN/Poder
District/Target Group – Spanish Speakers, Youth

Conducted 22 presentations in Spanish and English as needed
Found their collaboration with Poder worked extremely well – both agencies benefited from each other's strengths and were able to extend outreach to a broader base. Also allowed each to make new CBO contacts based on their respective networks/ connections
Was able to easily include RCV education with voter registration outreach
Events such as "Movie Night" at Parque de Ninos Unidos in the Mission District were specially geared to appeal to the Spanish- speaking community
Conducted first candidates' forum in District 9 in Spanish
Tried to get voters to shift their thoughts about voting and understand that choosing/ranking 3 candidates does not jeopardize your first choice vote
Encouraged non-voters to pass on RCV information to others
Did a mock election with high school students as a way of explaining how voting works
Received excellent Spanish-speaking media coverage of RCV (Telemunda, Channel 48; Radio Cumbia; Radio KIQI, 1010; El Tecolote newspaper)
Discovered that a successful outreach venue was the BART station at 16th & Mission

Chinatown Community Development Center
District/Target Group – Chinatown

Conducted 12 presentations in Chinese and English as needed
CCDC program staff had outstanding presentation skills; particularly successful at large group events
Was exemplary in their outreach effort
Was resourceful and creative with limited grant resources

Housing Conservation & Development Corporation
District/ Target Group – District 7, 11 (OMI, Ingleside, Excelsior)

Conducted 30 presentations in multiple languages – English, Cantonese, and Spanish
Worked with district Supervisor's offices to get names of groups and organizations in order to secure presentation venues. Also used HC&DC client lists
Composed a "RCV" song to the tune of "Jingle Bells"
Organized an event with a magician and lion dancers to increase voter enthusiasm for RCV
Felt that they received the best turn -out for RCV presentations when they were combined

with another event such as street fairs or candidates' forums
Wrote articles for neighborhood newspapers and e-newsletters including the *West of Twin Peaks Observer* (circ. 40,000); *West Portal Monthly* (circ. 20,000) and *Miraloma Life* (circ. 2,500)
Placed advertisements for RCV presentations in the *SF Independent; Bay View News; West of Twin Peaks Observer* and; *West Portal Monthly*. Ads were worded to make people aware that RCV was being implemented
Interviewed on Channel 2 news regarding RCV

League of Women Voters
District /Target Group – District 2, Laurel Heights

Conducted 31 presentations and community events
9 Candidates' Forums presented citywide
Produced and distributed *Pros and Cons Voter Guides* to schools and libraries citywide
Success with all-volunteer Speakers Bureau that conducted presentations on RCV and ballot issues to community groups and schools
Outdoor tabling events such as Fleet Week on Marina Green proved to be very successful; low turnout to events at libraries
LWV website www.smartvotersf.org received 75,000 hits prior to election
56 hours of voter education and outreach on Channel 29 Access TV
Sponsored City Watch on Channel 26 that featured ballot issues
Estimate that their combined outreach effort reached 12,000 – 15,000 SF voters

Rose Resnick Lighthouse for the Blind & Visually Impaired
District /Target Group – Blind and Visually Impaired (Disabled)

Conducted 6 presentations
Produced RCV informational brochures in Braille; also made available RCV information in audiotape and large- print formats
Some clients of the Lighthouse are also cognitively impaired and Lighthouse staff were available for special one-on-one RCV coaching
Victoria Carlisle, Grant Writer, stepped in to manage RCV outreach when Katherine Field, Marketing Coordinator, resigned in October 2004

Self-Help for the Elderly
District/Target Group – Seniors and Disabled

Conducted 23 presentations and community events
Distributed posters and brochures among their network of Senior Centers citywide
Felt DOE-produced outreach materials worked very well
Believed one-on-one exercise on how to mark ballot worked best with their constituency
Felt that they received the best reception from audience when RCV material was presented as part of a larger event

Experienced good outreach results when they would return to the same presentation/agency venue for a meeting after having given a presentation the previous month (people could ask follow up questions)

Senior Action Network
District/Target Group – Districts 5, 6, 8, 9, Civic Center, SOMA, Western Addition, Seniors, Disabled, Youth

Conducted 52 presentations and attended 30 community events.
Distributed RCV literature and conducted one-on-one outreach to 45 SRO hotels/Community Centers
Received media coverage in Sacramento Bee and KRON, Channel 4 (Carolyn Tyler)
Distributed 5,000 pieces of RCV literature to target demographic groups and communities of interest
Held informal meetings with over 35 SRO building managers, assistant managers and tenant representatives in these locations to provide information on RCV
Implemented a major portion of their plan by utilizing the pre-organized institutional meetings and conferences to conduct outreach. Also partnered with the Youth Commission to arrange *Youth Vote* to utilize RCV for the election of student Delegate to the Board of Education.
Published RCV educational materials in the *Youth Vote* VIP and distributed them to 18,000 SFUSD students
Distributed 1,500 RCV brochures to high school teachers for their use in education classes about RCV.
Approximately 8,000 students voted using a RCV ballot based on the DOE Eagle-optech ballot for *Youth Vote*. Of the 8000 ballots cast, only 50 were marked incorrectly.

Vietnamese Elderly Mutual Assistance Association
District/Target Group - Vietnamese

Conducted 13 presentations
Distributed RCV brochures among neighborhood businesses in Tenderloin
Distributed the LWV *Easy Voter Guide* in Vietnamese
Note: Staff turnover prevented a more extensive outreach effort; a large percentage of Vietnamese community reside in District 6, which did not use RCV in the November 2 Election.

A. Philip Randolph Institute
District/Target Group – District 10, African Americans

Conducted 16 presentation/events in October
Distributed approximately 10,000 brochures

Conducted outreach to 7 public housing units
Had partnerships with 30 faith-based organizations
Did door-to-door canvassing to 7,000

Ranked-Choice Voting Outreach - Challenges

The majority of the grantee organizations believed that the Ranked-Choice Voting outreach effort went well and felt they received sufficient RCV training, materials and support from the Department of Elections to conduct a successful program. There were, however, inevitable challenges reported in the administration of the grant program and implementing the outreach plan.

A better coordination of all DOE RCV outreach would have resulted in less frustration by the grantee organizations that believed there was an unnecessary duplication of effort. Many had difficulty securing presentation venues because they were competing with DOE Voters Services who had already contacted a particular organization to present RCV material. When the RCV outreach plan was originally conceived, it was believed that multiple outreach efforts would maximize the number of voters that could be reached. In actual practice, there were often a limited number of venues/community groups/events in any particular Supervisorial District that could be contacted for possible outreach and grantee organizations believed they spent too much time trying to come up with alternatives. Better coordination among the Grant Administrator, DOE Voter Services, DOE RCV Outreach and grantee organizations was needed. A single coordinator at DOE that would "dispatch" grantee organizations to do RCV presentations or keep a better, widely shared master calendar was recommended.

Another obstacle in coordinating presentation venues was the long contracting process. Most grantee organizations did not sign their contracts until August or even September, and this impinged on their ability to do sufficient planning. Again, by the time they actually began scheduling presentations, DOE Voter Services had already contacted many of the agencies on their lists. (This was particularly true in District 1.)

The grantee contracting and reporting process was long and too complicated given the size of the grants. Grantee organizations reported that they would like to see a more streamlined contracting process if DOE undertakes another round of RCV granting and suggested making better use of online resources to submit proposals and for reporting. A shorter version of the grant contract was also suggested. Agencies receiving grants under $10,000 said that the time necessary to fulfill reporting requirements was excessive and would have been better spent on actual outreach. Agencies particularly found conducting the post- presentation surveys time consuming and were not certain they actually garnered the kind of data DOE was hoping for.

A minor, unforeseen problem with the long contracting process was not being able to disclose the names of the grantee organizations until their contracts were signed. Since

completion of the grant contracts was spread out over 3 months, a full list of participants could not be shared until late in the process. Although the RCV "Kick-Off" meeting in August did allow organizations to meet DOE staff and see what other agencies were probably participating in the project, it would have been helpful to have an official list of grantees with respective outreach responsibilities much sooner to encourage better communication and sharing of "best practices" among grantees.

Grantees reported that they were much more successful with presentations at events that were already drawing an audience than at any event that specifically focused on RCV. A consistent problem that organizations encountered during this project was getting large groups together. They were much more successful when they were part of other events such as Candidates' Forums, neighborhood block parties or fairs. Even when grantees collaborated with other agencies or community groups such as Coleman Advocates or Lowell High School PTSA, they had much better results when they were "piggy-backing" on a larger meeting.

Grantees found completing post presentation surveys was sometimes difficult. Many of the grantee presentations were made at events sponsored by other organizations (such as Candidates' forums) and handing out questionnaires was not feasible. Other times, an event was too large and unstructured, like a block party or neighborhood fair, or, there was only a limited time available for the presentation (5- 10 minutes) and distributing questionnaires would have detracted from conveying the RCV "message." Many organizations did not keep sign in sheets or, were unwilling to share with the grantee organization.

Grantee Recommendations

- **More lead- time to prepare**
- **Earlier distribution of training materials, such as RCV videos, to grantees ea**
- **Mid-point meeting of grantee organizations to share outreach strategies.**
- **Better explanation of how votes are counted in RCV outreach materials; design an attractive RCV mailer at fifth-grade comprehension level**
- **More detail about RCV ("a reference-type compendium") on DOE website**
- **A more streamlined RFP process; simpler contract**
- **Prompt payment of small grants that have a short grant period**
- **"Meet and eat" item as an allowable grant expense - many of the smaller organizations provided food and snacks to increase attendance at events**
- **Greater effort to identify sources to reach "Joe Voter"**
- **Better outreach to the school district to reach parents**
- **More concentration of outreach to City College and SFSU**
- **Better coordination with fellow grantees to help distribute/use LWV Pros and Cons Guides (in multiple languages) and in referring voters to CBOs**
- **that can do Voter registration**
- **More all-Spanish Candidates' Forum/Events**

Post Election Surveys

The grantee organizations were asked to conduct a short, post-election survey to help measure the success of the voter education and outreach efforts as part of their final report due at the close of the grant period, December 15, 2004. Questions on the survey included:

1. In which San Francisco Supervisorial District do you live?
2. Did you vote in the November 2, 2004 election? If yes, how did you cast your vote?
3. Did you hear about ranked-choice voting before Election Day? If yes, how did you hear about it? *Check all that apply*: Website, Voter Information Pamphlet, Media Advertisement, Flyer or brochure, Community presentation, City Hall presentation.
4. Did you attend a presentation or candidates' forum where ranked-choice voting was explained? If yes, which organization gave the presentation and did you find the presentation informative?
5. Did you feel confident about using ranked-choice voting before casting your ballot?
6. Is there any additional information about ranked-choice voting that you would have found useful?

Survey Results[6]

Total surveys collected **557**

In which districts did respondents live?

District 1	5%	(28)
District 2	4.4%	(25)
District 3	19%	(106)
District 4	9.6%	(53)
District 5	9.9%	(55)
District 6	3.4%	(19)
District 7	13.5%	(76)
District 8	3%	(15)
District 9	14%	(79)
District 10	1.2%	(7)
District 11	9%	(49)
N/A	8%	(45)

Did you vote in the November 2, 2004 election? If yes, how did you cast your vote?

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[6] VEMAA and APRI's post-election surveys had not been submitted at the time of this report. Respondents did not always answer each question on the survey; results are approximated in most cases.

How Vote Was Cast	Percentage of Respondents	Number of Respondents
Neighborhood Polling Place	39%	215
Absentee Ballot	42%	233
City Hall	5%	30
N/A	14%	79
Total	100%	557

Did you attend a presentation or candidates' forum where ranked-choice voting was explained? If yes, which organization gave the presentation and did you find it informative?

66% (370) attended a presentation
Most of the respondents had attended a presentation given by the CBO conducting the survey; the majority said that they found the presentation very informative.

If respondent did not attend a presentation, how did they hear about RCV? (listed in order of popularity)

1. Voter Information Pamphlet
2. Brochure or flyer
3. Media advertisement
4. Website

What percentage of respondents said that they felt confident using RCV?

~ 72% (396)

Did you encounter any problems on Election Day using ranked-choice voting?

None, although some respondents did report that a few poll workers did not always understand how ranked-choice voting worked.

How did you find using ranked-choice voting? Is there any additional information that you would have found helpful?

Some non-English speaking respondents did not understand the first question because of the way it was worded. Some commented that they would like to see more information on measures and candidates prior to the election. Seniors in Chinatown said they found the voter information presentations very helpful and would like to see them continued. Respondents in the Mission District would like to see more information in Spanish; more outreach to Spanish-speaking seniors; better assistance from poll workers for first-time voters.

Grantees encountered typical questions during presentations:

- *"What happens if I vote the same name three times?"* followed by *"Can I vote for just one candidate or do I have to pick three?"*

- *"Can you explain again how the votes are counted? "*

as well as the more challenging:

- *"Is the candidate selected by 50% of the registered voters, 50% of the voters who vote, or 50% of the remaining ballots?"*

- *"Is it fair if someone gets more first choice votes, and then is defeated by another candidate who gets more second and third choice votes?"*

- *Can RCV handle a situation like District 5 with 22 candidates or will there be an extremely high percentage of exhausted ballots?"*

- *What are the arguments against RCV?*

Both sets of questions reflect voters' general understanding of RCV (or not) and should be considered in developing any new voter outreach materials.

Grant Administrator Scope of Work and Overview

As the Grant Administrator, my role was to ensure the successful effort of ten, community-based organizations to provide Ranked-Choice Voting Public Education and Outreach services prior to the November 2, 2004 election. I served as the primary liaison between the City and the grantee organizations, acting as trouble-shooter as needed and worked with the Department of Elections staff in administering and monitoring the $210,000 grant award program.

Project specifics:

- **Developed a project plan and timeline at the end of June** based on discussions with Department of Elections staff and the community-based organizations.
- **Completed a grant-tracking database and contact list of grantees** for recording and tracking progress towards grant contract deliverables and related information **by July 1**. (see Appendix)
- **Established effective working relationships with grantee organizations**. Communicated messages, issues, concerns and priorities to and from the Department of Elections and grantees **on an ongoing basis**. Responded to and resolved any inquires by grantees, City and department staff about the program.
- Created and **delivered a grantee-training program** and schedule to educate grantees about San Francisco election processes, ranked-choice voting, and Department of Elections ranked-choice voting outreach program goals. As Grant

Administrator, I planned and the Department of Elections hosted, an orientation and training for grantees on **August 5, 2004.**

- **Provided grantees with sufficient amounts of DOE RCV materials** for distribution to constituencies.

To monitor the grantee progress on delivering ranked-choice voting education and outreach services:

- **Conducted 33 grantee "site" visits** including observation of ranked-choice voting information presentations, events, and trainings.
- **Worked to ensure consistency, accuracy, and neutrality** in the RCV grantee presentations and in publications that were submitted for media release.
- **Solved problems and addressed issues as they arose**, while keeping the Department of Elections and grantees appropriately informed.
    - **Grantees kept updated** through weekly email;
    - Created monthly reporting, post presentation and post-election survey forms. **Monthly reports and funding requests submitted to DOE in a timely manner.**
    - Grant contracts closely monitored for compliance.
    - Worked closely with DOE staff to resolve grantee concerns or, answer any RCV questions that may have come up specifically in their outreach efforts.
    - **Coordinated grantee presentation schedules** and worked collaboratively **with other RCV outreach staff** to avoid duplication of effort.
- **Provided training, site visits, and meetings as necessary** to ensure successful outcomes.
    - **Provided technical assistance to grantee organizations** on an as needed-basis.
    - **Met regularly with DOE staff liaison Sarah Keeville** to ensure project goals were met.
    - Scheduled a post-election **"Grantee Wrap-Up" meeting on November 18, 2004** to solicit feedback from grantees about the overall RCV outreach including lessons learned and recommendations for "next time."

Project Effectiveness – Summary Thoughts

In general, the education and outreach effort that was conducted by grantees went smoothly and without any serious problems. It was *very* effective in combination with the other pieces of DOE outreach that included printed materials (posters, brochures, RCV demonstration ballot, the Voter Information Pamphlet), bus and media ads, the DOE website, print/ electronic media coverage and, of course, all of the work done by Voter Services and the special RCV outreach unit. Problems described above such as - - a slow and complicated contracting process, excessive reporting requirements for organizations with grants under $10,000, and a lack of coordination between DOE outreach teams and the grantee organizations' should be easily remedied in a second round of RCV granting now that everyone is experienced.

The grantee organizations were most effective when they worked with traditional "at-risk" groups such as seniors and non-English speakers because of their familiarity with these constituencies through their regular, provider roles. Audiences that were more challenging to reach were youth 18-25 and those Virginia Grandi from the League of Women Voters calls "Joe Voter." Better outreach to local schools and universities and to non-traditional venues such as sports clubs and retail malls was suggested. Several groups also recommended Internet sources (Blogs).

There were several grantees that were exemplary in their outreach effort because of their singular drive, enthusiasm, and creativity. These included *CARECEN/Poder, Housing Conservation & Development Corporation*, and *Chinatown Community Development Center*. CCDC should be commended for their excellent work and exceeding grant requirements particularly given the small size of their grant ($3,000). Program staff at Self-*Help for the Elderly* and the *League of Women Voters* was consistently accommodating and easy to work with. *Vietnamese Elderly Mutual Assistance Association* should be noted because their outreach coordinator and executive director resigned from the agency shortly after the grant contract was signed but still agreed to complete the project as originally planned - on only a $1,350 grant!

In closing, I have very much enjoyed working on the Ranked-Choice Voting Education and Outreach project and gaining a better understanding of the intricacies of local election processes. I commend the hard-working staff of the Department of Elections. I am grateful for the opportunity to impress friends at parties with new vocabulary words such as "exhausted ballot" and in understanding how the ranked-choice votes were actually tabulated. I am most appreciative, however, of the ten community-based organizations that used all manner of wit and ingenuity to teach doubtful San Francisco voters about a new way to vote.

Cecille Caterson
January 2005

DEPARTMENT OF ELECTIONS
City and County of San Francisco
RANKED-CHOICE VOTING COMMUNITY EDUCATION & OUTREACH
Post Election Survey

Please complete this short survey to help us measure the success of our voter education outreach efforts. Thank you for your time.

1. In which San Francisco Supervisorial district do you live? *If you are not sure, please write the neighborhood in which you live.*

   (1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11) (Circle one)

2. Did you vote in the November 2, 2004 election? (Yes/ No)
   If yes, how did you cast your vote? (Check One)

   ___ Neighborhood polling place ___ City Hall

   ___ Absentee ballot

3. Did you hear about ranked-choice voting before election day? (Yes/No)
   If yes, how did you hear about it? (*Please check all that apply.)*

   ___Website ___Flyer or brochure

   ___ Voter Information Pamphlet ___Community presentation

   ___ Media Advertisement ___City Hall presentation

4. Did you attend a presentation or candidate's forum where ranked-choice voting was explained? (Yes/No) If yes, which organization gave the presentation and did you find the presentation informative?

5. Did you feel confident about using ranked-choice voting before casting your ballot?

6. How did you find using ranked-choice voting? Is there any additional information that you would have found helpful?

Department of Elections	
Target RCV Specific Outreach	
FY Budget Request 2005 - 2006	
CBO Outreach Grants	150,000
RCV Video Revision	7,168
RCV PSA Production	3,084
RCV Website Revision	9,800
RCV Print Media	70,542
RCV Radio spots	42,450
City Wide RCV Mailer / postage	80,000
Marking the RCV ballot posters	1,793
RCV Voting brochures - Russian	2,325
RCV Voting brochures - Spanish	8,074
RCV Voting brochures - Chinese	8,074
RCV Voting brochures - English	35,200
	$418,510

City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Chris Daly, Sean Elsbernd, Fiona Ma, Jake McGoldrick

Clerk: Gail Johnson

Thursday, March 17, 2005 **1:00 PM** **City Hall, Legislative Chamber, Room 250**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

08

/05

AGENDA CHANGES

REGULAR AGENDA

1. 050307 [Budget Updates]
Supervisor Ammiano
Hearing to consider budget updates from the Mayor, Controller, Budget Analyst, Office of Legislative Analysts and City Departments.

2/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

2. 050343 [Controller's current City and County budget reserves and fund balance practices]
Supervisor Ammiano
Hearing to review the Controller's current City and County budget reserves and fund balance practices.

3/1/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day Rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Dr. Carlton B. Goodlett Place and Grove Street.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Adele Destro by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at sotf@sfgov.org
Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Destro or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 10, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: March 17, 2005 Budget and Finance Committee Meeting

Item 1 - File 05-0330

Department: Department of Public Health (DPH)
San Francisco General Hospital (SFGH)
Administrative Services - Office of Contract Administration

Item: Resolution authorizing the Department of Public Health and the Director of the Office of Contract Administration/Purchaser to continue a contract between the Department of Public Health, Community Health Network and Triage Consulting Group (Triage) to provide for the collection of monies owed to SFGH from delinquent accounts receivable.

Contract Period: Retroactive to July 1, 2004 through June 30, 2008 (four years)

Estimated Amount Of Fees To Be Paid To Triage: Contingent fee based on 25 percent of revenues collected. Estimated total amount of fees to be paid to Triage through January 13, 2005 is $525,000 ($2,100,000 total revenues recovered x 25%).

Description: The proposed resolution authorizes the Department of Public Health to continue a contract, awarded by the DPH, with Triage Consulting Group (Triage), an outside consultant. Triage provides collection services

pertaining to monies owed to SFGH from delinquent accounts receivable, focusing on delinquent accounts related to Workers' Compensation and managed care cases. According to Ms. Valerie Inouye, Community Health Network Chief Financial Officer of DPH, the DPH entered into a four-year contract with Triage, for the period from July 1, 2004 through June 30, 2008, to assist San Francisco General Hospital's Patient Financial Services Division to collect monies owed to SFGH from delinquent accounts receivable for services previously provided by SFGH. Attachment I is a memorandum provided by Ms. Inouye which contains additional background information pertaining to this contract.

Since the amount of the revenues to be generated from Triage's revenue collection services is now projected to exceed $1,000,000 payable to DPH, the DPH is requesting Board of Supervisors approval of this previously awarded contract with Triage, in accordance with Charter Section 9.118. Charter Section 9.118 states that "contracts entered into by a department having anticipated revenue to the City and County of one million dollars or more, or the modification, amendment or termination of any contract which when entered into had anticipated revenue of one million dollars or more, shall be subject to approval of the Board of Supervisors by resolution."

According to Ms. Inouye, as of January 13, 2005, Triage had reviewed 10,347 of SFGH accounts receivable representing monies owed to SFGH from the last three years. Triage estimates that 245 of these past due accounts, having been provided services by SFGH through June 30, 2004, still owe SFGH additional delinquent revenues of $3,900,000. According to Ms. Inouye, Triage estimates that after their review is completed of such delinquent accounts, monies, expected to be collected which are owed to SFGH, dating back to June 30, 2004, will equal $2,100,000 or approximately 53.8 percent of the $3,900,000 owed to SFGH from these accounts. Under their contract with SFGH, Triage receives a fee of 25 percent of all monies collected. Therefore Triage would receive fees of $525,000 of the $2,100,000 expected to be collected from delinquent

accounts receivable, with the balance of $1,575,000 ($2,100,000 less $525,000) to be paid to SFGH.

In addition to the 245 accounts noted above, Ms. Inouye states that it is very difficult to estimate how much more in revenues will be recovered by Triage from other delinquent accounts receivable.

Attachment II provided by Triage contains a summary of the actual fees realized by Triage and the net revenue realized by SFGH as a result of the collection services provided from July 1, 2004 through January 13, 2005. As shown in Attachment II, a total of $420,085 of the $2,100,000, has been collected from 19 delinquent accounts, resulting in $105,021 in fees for Triage and $315,064 being paid to SFGH.

According to Ms. Gladys Solivan of the DPH Contracts and Compliance Department, Triage was awarded a contract by DPH through a Request For Proposal (RFP) process. Under that process, Triage was selected by DPH as the most qualified firm responding to the RFP.

Comment: According to Ms. Inouye, this contract provides for retroactivity because Triage has already collected $420,085 from delinquent accounts receivable.

Recommendation: Approve the proposed resolution.

Post-it® Fax Note 7671	Date 3/07/04 # of pages ▸ 2
To Robin Courtive	From G Sullivan
Co./Dept	Co.
Phone #	Phone # 554-2602
Fax # 252-2461	Fax #

DATE: February 16, 2005

TO: Mitchell Katz, M.D.
Director of Health

THROUGH: Gregg Sass, Chief Financial Officer
Department of Public Health

THROUGH: Gene O'Connell, Executive Administrator
San Francisco General Hospital

FROM: Valerie Inouye
CHN Chief Financial Officer

SUBJECT: APPROVAL TO SUBMIT A RESOLUTION TO THE BOARD OF SUPERVISORS TO ACCEPT REVENUES NEWLY ESTIMATED TO EXCEED $1,000,000 UNDER A CONTRACT WITH TRIAGE CONSULTING GROUP PREVIOUSLY APPROVED BY THE HEALTH COMMISSION ON JULY 6, 2004

This is a request to approve the attached Resolution to authorize the Department of Public Health (Department), San Francisco General Hospital (SFGH), to accept revenues newly estimated to exceed $1,000,000 from the retroactive claiming of aged accounts services provided by Triage Consulting Group (Triage).

The Department entered into a with Triage for the period of July 1, 2004 through June 30, 2008 to assist the SFGH's Patient Financial Services department to collect additional payer payments from aged accounts, focusing on the Workers' Compensation carriers and the managed care government and non-government payers. Triage specializes in the comprehensive understanding of the continuing regulatory changes of the managed care and Workers' Compensation programs, as well as contract language between payer and provider that affects reimbursement. The contract provides for Triage to collect 25% of the revenues recovered for DPH.

Triage has already reviewed $85 million of paid accounts from the last 3 years and found 215 accounts underpaid, which could result in an additional $2.1 million collectible from payers. It has begun the process of re-billing the payers and is in the process of collecting the additional payments on our behalf.

When we initially entered into this contract, we did not expect their recovery amounts to be over $1,000,000. The Workers' Compensation program made regulatory amendments in 1999 to exempt selective services from the Diagnosis Related Group (DRG) reimbursement methodology. Most providers were not aware of the services that were exempt from the DRG reimbursement and the Workers' Compensation insurance carriers made no attempt to pay for these exempt services correctly. This has resulted in underpayments to the providers. The Workers' Compensation program has again modified their payment methodology, so that effective January 1, 2004, selective inpatient services previously categorized as exempt are no longer exempt from the DRG reimbursement methodology.

SUMMARY OF UNDERPAYMENTS IDENTIFIED AND CASH RECEIVED

Triage was engaged to review Managed Care accounts with dates of service January 1, 2001 through June 30, 2004 at San Francisco General Hospital. Triage has identified underpayments totaling $3,778,062 in 215 inpatient and outpatient accounts.

By project end, we estimate to identify approximately $3,900,000 in underpayments, of which $2,100,000 will be collected.

Status as of 1/13/2005	Reviewed to Date		Estimated Total Project	
Total Managed Care[2] Service Dates 1/1/01 – 6/30/04	Accounts	Dollars[1]	Accounts	Dollars[1]
Inpatient	3,384	$76,622,166	4,029	$79,915,729
Outpatient	6,963	16,972,957	9,180	24,783,432
Total Reviewed (Payment Collected)	10,347	$93,595,123	13,209	$104,699,161
UNDERPAYMENTS				
Inpatient				
Collectible	78	$1,827,609	120	$2,000,000
Potentially Uncollectible [3]	67	1,695,001	51	1,600,000
Total Inpatient	145	$3,522,610	171	$3,600,000
Outpatient (Charges > $1,000)				
Underpaid and Collectible	-	-	14	$100,000
Potentially Uncollectible	70	255,452	60	200,000
Total Outpatient	70	$255,452	74	$300,000
Total Underpayments	215	$3,778,062	245	$3,900,000
Error Rate (Inpatient)		4.6%		4.5%
Average $ Underpaid (Total)		$17,572		$16,000
Cash Collections				
Inpatient	19	$420,085	120	$2,000,000
Outpatient	-	-	14	100,000
Total Cash Received	19	$420,085	134	$2,100,000
Triage Fees (25%)	-	$105,021	-	$525,000

(1) This is actual cash received as of August 2004.
(2) The population includes Managed Care, Workers' Comp, and Managed Medicare and Managed Medi-Cal accounts.
(3) Collection risk occurs if the underpayment is subject to interpretation or an adjustment time limit in the contract.

- Triage anticipates approximately $2,100,000 in cash collections, yielding $525,000 in Triage fees. This would result in a net benefit of $1,575,000 to San Francisco General Hospital.

- The majority of "potentially uncollectible" underpayments are Health Net accounts that we anticipate will be denied due to Health Net's 60-day contractual adjustment limit. These accounts could potentially become "collectible", which would result in an overall increase in Total Cash Received and Triage Fees.

- Triage is approximately halfway through its review and these numbers reflect Triage's best estimates at this time.

Item 2 – File 04-1161

Department: Mayor's Office of Community Development (MOCD)

Item: Hearing to request release of reserved funds in the amount of $100,000 for the South of Market Foundation dba Urban Solutions.

Amount: $100,000

Source of Funds: U.S. Department of Housing and Urban Development (HUD) for the Community Development Block Grant (CDBG).

Description: On April 28, 2004, the Finance and Audits Committee placed on reserve $2,372,271 in FY 2004-2005 Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development as follows: 1) $147,117 pending budgetary details for administrative costs, 2) $1,765,154 pending submission of details of use of the Capital Pool Funds, 3) $360,000 pending a report by the Mayor's Office of Housing on Mission Housing Development Corporation management issues, and 4) $100,000 pending further explanation to the Finance and Audits Committee regarding the coordination of funding between the Mayor's Office of Community Development (MOCD) and the San Francisco Redevelopment Agency (SFRA) to the South of Market Foundation/Urban Solutions, a non-profit organization, which provides technical assistance and loan packaging assistance to small businesses and emerging entrepreneurs in primarily the South of Market area.

The $100,000 in CDBG grant funds were to be allocated to the South of Market Foundation/Urban Solutions under the CDBG Economic Development and Microenterprise Assistance Program to provide technical and financing assistance to small business and emerging entrepreneurs in non-SFRA Project Areas. The primary objective of the CDBG Economic Development and Microenterprise Assistance Program is to fund non-profit organizations that a) create employment and entrepreneurial opportunities for low-income neighborhood residents, b) revitalize low-income neighborhoods, and c) assist

individuals in starting and maintaining very small business enterprises. Attachment I provided by Mr. Albert Lerma of the MOCD shows the plan outcome and major activities to be provided by the South of Market Foundation/Urban Solutions in connection with the funding of $100,000.

In addition to the subject requested release of $100,000 for the South of Market Foundation/Urban Solutions, according to Mr. Lerma, the SFRA allocated $339,305 in grant funds for FY 2004-2005 to the South of Market Foundation/Urban Solutions for a) facade improvements grants and tenant improvement loans to businesses on Sixth Street, b) technical and financing assistance to businesses on the Sixth Street Corridor, and c) technical and financing assistance to businesses in the Western Addition Project Area. Attachment II, provided by Mr. Lerma, shows the plan outcomes and major activities to be provided by the South of Market Foundation/Urban Solutions in connection with the funding of $339,305 from the SFRA allocation. This funding includes $56,650 for the Western Addition Project Area and $282,655 for the South of Market Project Area. As stated in Attachment III provided by Mr. Lerma, "The SFRA is required by state law to restrict their funding activities to projects that fall within designated redevelopment project area boundaries and/or those that directly serve the residents of those areas. As such the SFRA can only provide funding for services and activities to be provided by the South of Market Foundation dba Urban Solutions for projects and services that fall within the boundaries of the South of Market and Western Addition SFRA Project Areas."

Budget: Attachment IV provided by Mr. Lerma is a budget showing how the subject requested reserved monies of $100,000 in CDBG funds and the grant allocation of $339,305 in SFRA funds will be expended by the South of Market Foundation/Urban Solutions, for a total grant allocation in FY 2004-2005 to the South of Market Foundation/Urban Solutions of $439,305. Attachment IV also lists positions consisting of an Executive Director, a Deputy Director, an Economic Development Manager, a

Small Business Consultant, a Development Associate, and an Administrative Assistant and their salaries.

Comments:

1. According to Mr. Lerma, in FY 2003-2004 the MOCD grant allocation to the South of Market Foundation/Urban Solutions was $50,000. Attachment III provided by Mr. Lerma provides an explanation of why the grant allocation to the South of Market Foundation/Urban Solutions was increased by $50,000 or 100 percent to $100,000. Attachment III states, "The additional funds recommended by MOCD for the next fiscal year will increase their funding to $100,000. These additional funds will allow Urban Solutions to serve additional small business clients outside of the SFRA project areas with similar technical assistance and loan packaging services. The added funding in the next fiscal year will ensure that all areas of the city are served adequately and will place this agency on a more comparable funding level with other agencies providing similar services for MOCD by expanding their ability to serve additional clients outside SFRA project areas."

2. Attachment V provided by Mr. Lerma describes the selection process pertaining to the requested release of $100,000 in reserved funds allocated by the MOCD to the South of Market Foundation/Urban Solutions. Attachment VI provided by Mr. Lerma lists all of the agencies which requested funding from the CDBG Economic Development and Microenterprise Assistance Program in FY 2004-2005, the amounts requested, and the amounts granted by the MOCD.

Recommendation:

Approve the requested release of reserved funds in the amount of $100,000.

AGENCY: SOMA Foundation dba Urban Solutions

CONTRACT PERIOD: July 1, 2004 - June 30, 2005

PROGRAM NAME: MOCD Economic Development Programs

MOCD GRANT AMOUNT: $ 100,000

	A List each plan outcome and its major activities	B Total annual output of each activity		E. Implementation schedule by months (ex. Jan, 1st mo)	
1	**Outcome: Provide technical assistance to entrepreneurs on business planning, financing and marketing City-wide (Non-SFRA Project Areas)**				
	Component: Contact New Business Clients for intake & assessment	65	new clients	5	per month
	Component: Credit counseling	"			
	Component: One-on-one business counseling & business planning	"			
	Component: Financial statement preparation	"			
	Component: Marketing & Outreach (EZ/tax credits, loan programs etc.)	65	businesses	5	per month
2	**Outcome: Provide access to capital for businesses unable to obtain capital from traditional sources City-wide (Non-SFRA Project Areas)**				
	Component: Loans packaged and submitted	15	loans submitted	1	per month
	Component: Loan referrals to banks/financial institutions/MOCD	"			
	Component: Loans approved	10	loans approved	1	per month
	Component: Projected Job creation (public benefit)	18	jobs created	2	per month
	Component: Projected Job retention (public benefit)	2	jobs retained	0	per month
3	**Outcome: Provide post-loan technical assistance for businesses to ensure sustainability of businesses City-wide (Non-SFRA Project Areas)**	10	loan clients	1	per month or as needed
	Component: Monitor job creation activity				
	Component: Conduct site visits to monitor business				
	Component: Provide general management advice and referrals				
	Component: Ensure loan payments/taxes are made				

DRAFT: URBAN SOLUTIONS WORK PLAN FOR WESTERN ADDITION (A-2) PROJECT AREA

AGENCY: SOMA Foundation dba Urban Solutions
PROGRAM NAME: Economic Development Programs

CONTRACT PERIOD: July 1, 2004 - June 30, 2005
SFRA GRANT AMOUNT $56,650

APPROVED BY: ______________________, EXECUTIVE DIRECTOR
(Signature Required)

PROGRAM REPORTS DUE X monthly

PREPARED BY: Roger Gorgor
(Print Name)

	A. List each plan outcome and its major activities	B. Total annual output of each activity	
1	Outcome: Provide access to capital for businesses unable to obtain capital from tradiional sources and assist small businesses and entrepreneurs with the development of their businesses. Provide technical assistance to entrepreneurs on financial aspects of running a business		
	Western Addition (A-2) Project Area small business development and loan packaging program	30	new clients
	Western Addition (A-2) Project Area small business development and loan packaging program	8	ongoing clients
	Western Addition (A-2) Project Area small business development and loan packaging program	4	loans submitted
	Western Addition (A-2) Project Area small business development and loan packaging program	3	loans approved
	Western Addition (A-2) Project Area small business development and loan packaging program	12	jobs created
	Western Addition (A-2) Project Area small business development and loan packaging program	1	jobs retained
2	Outcome: Provide post-loan technical assistance for businesses to ensure sustainability of businesses.		
	Western Addition (A-2) Project Area small business development and loan packaging program	4	clients
3	Outcome: Facilitate workshops and classroom training services. Topics include basic business law, bank loan qualifications, small business taxes and cash flow forecasting.		
	Western Addition (A-2) Project Area	4	workshops
4	Outcome: Hours of on-site operations.		
	Western Addition (A-2) Project Area	16	hours per week

DRAFT: URBAN SOLUTIONS WORK PLAN FOR SOUTH OF MARKET PROJECT AREA AND OTHER REDEVELOPMENT PROJECT AREAS

PROGRAM NAME: Economic Development Programs

CONTRACT PERIOD: July 1, 2004 - June 30, 200

APPROVED BY: ______________________, EXECUTIVE DIRECTOR
(Signature Required)

SFRA GRANT AMOUNT $282,555

PREPARED BY: Roger Gordon
(Print Name)

PROGRAM REPORTS DUE X monthly

A. List each plan outcome and its major activities	B. Total annual output of each activity	
Outcome: Manage the Six on Sixth Economic Revitalization program. Market to new participants and work with ongoing clients to ensure projects move through the design phase, bidding, loan execution, construction and reimbursement. Coordinate with owners.		
SOM Project Area 6 on 6th Clients	20	new clients
SOM Project Area 6 on 6th Clients	16	ongoing clients
SOM Project Area 6 on 6th Facade Improvement program	7	loans submitted
SOM Project Area 6 on 6th Tenant Improvement program	2	loans submitted
SOM Project Area 6 on 6th Business Assistance program	1	loans submitted
SOM Project Area 6 on 6th Facade Improvement program	7	loans approved
SOM Project Area 6 on 6th Tenant Improvement program	2	loans approved
SOM Project Area 6 on 6th Business Assistance program	1	loans approved
SOM Project Area 6 on 6th	14	jobs created
Outcome: Provide access to capital for businesses unable to obtain capital from traditional sources and assist small businesses and entrepreneurs with the development of their businesses. Provide technical assistance to entrepreneurs on financial aspects of running a business.		
SOM Project Area small business development and loan packaging program	3	new clients
SOM Project Area small business development and loan packaging program	1	loans submitted
SOM Project Area small business development and loan packaging program	1	loan approved
SOM Project Area small business development and loan packaging program	40	jobs created
YBC & SB/RP Project Areas small business development and loan packaging program	4	new clients
YBC & SB/RP Project Areas small business development and loan packaging program	1	loans submitted
YBC & SB/RP Project Areas small business development and loan packaging program	1	loan approved
YBC & SB/RP Project Areas small business development and loan packaging program	1	jobs created
Outcome: Provide post-loan technical assistance for businesses to ensure sustainability of businesses.		
SOM Project Area small business development and loan packaging program - Six on Sixth	1	clients
Outcome: Provide support to the Merchants Associations		
SOM Project Area: South of Market Business Association (SOMBA)	12	monthly meetings

South of Market Foundation dba Urban Solutions: Services Provided & Explantion of Funding.

MOCD and Urban Solutions have attached a detailed breakdown of the work plan and budget for MOCD for the 2004-05 fiscal year. We have also attached the work plan for the SFRA as additional background information. Below is a brief summary of the Urban Solutions' current year activities for 2003-04 fiscal year.

MOCD Funded Services / 2003-04 Budget of $ 50.000:

The MOCD currently provides funding for services and activities carried out by South of Market Foundation dba Urban Solutions in non-SFRA project areas. MOCD funds are targeted at serving Low-to-Moderate Income (LMI) clients who may reside or work throughout the City and are not restricted by geographic boundaries. This includes providing technical assistance in such areas as business planning; marketing, and management. In addition they also assist small businesses with obtaining financing or access to capital from local banks, city loan programs or other alternative financing resources.

Under the current year MOCD contract with Urban Solutions for $ 50,000 they continue to meet their work plan goals as follows:

- Technical Assistance services to individuals & small businesses – have met and exceeded annual goal – 112%.
- Loan Financing – have met and exceeded their annual goal in providing access to capital for small businesses – 110%.
- Job creation – have met and exceeded job creation goals during the current year – over 100%.

Note: The additional funds recommended by MOCD for the next fiscal year will increase their funding to $ 100,000. These additional funds will allow Urban Solutions to serve additional small business clients outside of the SFRA project areas with similar technical assistance and loan packaging services. The added funding in the next fiscal year will ensure that all areas of the city are served adequately and will place this agency on a more comparable funding level with other agencies providing similar services for MOCD by expanding their ability to serve additional clients outside SFRA project areas.

SFRA Funded Services in South of Market and Western Addition Project Areas / 2003-04:

The SFRA is required by state law to restrict their funding activities to projects that fall within designated redevelopment project area boundaries and/or those that directly serve the residents of those areas.

As such the SFRA can only provide funding for services and activities to be provided by the South of Market Foundation dba Urban Solutions for projects and services that fall within the boundaries of the South of Market and Western Addition SFRA Project Areas.

This year Urban Solutions has been working diligently with the San Francisco Redevelopment Agency in providing the following services funded with the SFRA funds:

- Implementing a targeted revitalization effort on Sixth St. (See attached program summary for Six on Sixth St.) The new effort includes a combination of façade improvement grants and tenant improvement loans for both existing and new businesses and property owners to assist them in locating, expanding or renovating their existing storefronts to address issues of blight and to provide access to capital.

- The façade improvement effort is well underway with Speed Queen Laundry on Sixth St. undergoing the first façade renovation under this new program. To date 24 Façade Improvement projects and 11 Tenant Improvement projects have applied under the Six on Sixth St. program, with six of those projects completed and an additional 14 projects underway. Urban Solutions has additional projects in the pipeline and will continue to move forward on the remaining projects in the weeks and months ahead.

- Urban Solutions also serves clients not on the Sixth St. corridor but still within the Soma SFRA Project Area, by providing technical assistance in such areas as business planning, marketing, and management to businesses. In addition, they also assist small businesses in obtaining financing or access to capital from local banks, city loan programs or other alternative financing resources. Lastly, they provide staff support to the South of Market Business Association.

- In the Western Addition Project Area the South of Market Foundation dba Urban Solutions is providing technical assistance in business planning,

marketing, and management to businesses located in this Project Area. In addition, they also assist small businesses in the Western Addition with obtaining financing or access to capital from local banks, city loan programs or other alternative financing resources.

Program Montioring:

MOCD continues to work closely with the San Francisco Redevelopment Agency in monitoring the efforts of the South of Market Foundation dba Urban Solutions to ensure that their efforts are a success.

MOCD requires that the South of Market Foundation dba Urban Solutions provide our department monthly program reports that detail clients served both within SFRA Project Areas and outside SFRA Project Areas to meet the funding and program requirements of both MOCD and SFRA.

The agency also submits separate cost reports for both the MOCD funded program services and for the SFRA funded program services to remain in compliance with the SFRA project area activity restrictions.

These reporting requirements ensure that there is adequate oversight and monitoring of work plan goals to meet the requirements of both MOCD and SFRA.

DRAFT Schedule 2A. 2004-5 Multiple Program Budget Detail CDBG/ESG Funding

Subgrantee:

Line	Budget Item	%Adm	%Pgm	Total	CDBG	SFRA	Grant C	Total CDBG/ESG	Other Funding
		Personnel Time			Column A	Column B	Column C	Column D	Column E
	Salaries & Wages							Sum A+B+C	
	Positon Title (FTE)								
1	Executive Director (Gordon)	40	60	100		$ 73,300	$	$ 73,300	
2	Deputy Director (McNulty)	30	70	100	$ 34,500	$ 34,500	$	$ 69,000	
3	Economic Dev. Manager (Ringelmann)		100	100	$	$ 26,910	$	$ 26,910	
4	Small Business Consultant (Branham)		100	100	$ 21,200	$ 31,800	$	$ 53,000	
5	Development Associate (Yun)	10	90	100	$ 11,250	$ 6,750	$	$ 18,000	
6	Administrative Assistant (Nguyen)	100		100	$	$ 27,625	$	$ 27,625	
7					$	$	$	$ -	$
8					$	$	$	$ -	$
9					$	$	$	$ -	$
10					$	$	$	$ -	$
11					$	$	$	$ -	$
12					$	$	$	$ -	$
13					$	$	$	$ -	$
14					$	$	$	$ -	$
15					$	$	$	$ -	$
16	Total Salaries (Lines 1-15)				$ 66,950	$ 200,885	$ -	$ 267,835	$ -
17	Fringe Benefits (Cannot exceed 25% of Salaries)				$ 11,054	$ 42,839	$ -	$ 53,893	$ -
18	Total Salaries+Fringe Benefits (Line 16+Line 17)				$ 78,004	$ 243,724	$ -	$ 321,728	$ -
	Contractual Services: Consultants	Consultant Time			Grant A	Grant B	Grant C	Total CDBG	Other Funding
19	Accountant				$ 8,000	$ 12,000	$	$ 20,000	$
20	Consultant				$ 1,800	$ 8,700	$	$ 10,500	$
21					$	$	$	$ -	$
22					$	$	$	$ -	$
23	Audit ($300,000 in Federal Funds)				$ 800	$ 6,000	$	$ 6,800	$
24	Total Contractual Services (Lines 19 thru 23)				$ 10,600	$ 26,700	$ -	$ 37,300	$
	Operating Costs				Grant A	Grant B	Grant C	Total CDBG	Other Funding
25	Equipment					$ 3,381	$ -	$ 3,381	
26	Insurance					$ 3,500	$ -	$ 3,500	$ -
27	Space Rental				$ 11,396	$ 30,000	$ -	$ 41,396	
28	Supplies					$ 4,000	$ -	$ 4,000	
29	Telecommunication				$ -	$ 5,000	$ -	$ 5,000	
30	Travel				$ -	$ 1,000	$ -	$ 1,000	
31	Utilities				$ -	$ 2,000	$ -	$ 2,000	
32	Other					$ 20,000	$ -	$ 20,000	
33	Total Operating Costs (Line 25 thru 32)				$ 11,396	$ 68,881	$ -	$ 80,277	
34	Total Budget (Line 18+Line24+Line33)				$ 100,000	$ 339,305	$ -	$ 439,305	$

1

Mayor's Office Of Community Development
City & County Of San Francisco

Gavin Newsom
Mayor

Dwayne Jones
Director

TO: Leanne Nhan, Budget Analyst Office

FROM: Albert Lerma, Mayor's Office of Community Development

DATE: August 23, 2004

SUBJ: **MOCD RFP Process / South of Market dba Urban Solutions**

MOCD issues a Request for Proposals (RFP) annually to solicit projects for Community Development Block Grant Funding. Applicants were required to submit a complete proposal during the month of January 2004.

CDBG Priorities – The Citizens Committee on Community Development (CCCD) has established the following priority objectives to shape CDBG program outcomes:

1. Preservation of existing and the development of new affordable housing.
2. Creation, retention, and expansion of small businesses and economic development.
3. Preservation of existing and the development of new affordable neighborhood facilities.
4. Neighborhood and community stabilization.

B. Agency Requirements for receiving grant funds include:

Organization must be legally registered, active, and in good standing with the Internal Revenue Service and the California Secretary of State.

Organization must be a nonprofit corporation (or fiscally sponsored by same) serving lower income San Francisco residents.

Organization must be operating in accordance with its by-laws, including having sufficient Board members, conducting required meetings and maintaining board requirements.

CDBG recipients must comply with all applicable federal and local government regulations.

25 Van Ness Avenue, Suite 700, San Francisco, CA 94102
Phone: (415) 252-3100 • TDD: (415) 252-3107 • www.sfgov.org/mocd

Program beneficiaries must be (1) principally low-to-moderate-income persons (80% of median family income) and (2) reside within San Francisco.

2004-05 Funding Report By Program Area for CDBG

Economic Development and Microenterprise Assistance

Prog. Grants	PNO	Agency\Branch	2003-04 Budget	2004-05 Request	2004-05 Approved
ED	32923	Asian, Inc.	$ 0	$515,656	$ 0
ED	33220	CCSF Small Business Development Center	$75,000	$75,000	$75,000
ED	33149	Mission Economic Development Association	$267,000	$297,000	$267,000
ED	33150	Mission Economic Development Association	$150,000	$170,000	$125,000
ED	33098	Northeast Community Federal Credit Union	$120,000	$125,000	$120,000
ED	33105	Northeast Community Federal Credit Union	$75,000	$75,000	$75,000
ED	33183	Renaissance Entrepreneurship Center	$208,000	$208,000	$208,000
ED	32842	Renaissance Entrepreneurship Center	$228,500	$228,500	$228,500
ED	33094	South of Market Foundation	$50,000	$200,000	$100,000
ED	33143	Southeast Asian Community Center	$106,500	$108,300	$106,500
ED	32889	Southeast Asian Community Center	$120,000	$127,746	$120,000
10 Proposals Approved:		Grand Total:	$1,400,000	$2,130,202	$1,425,500

Item 3 - File 05-0238

Departments: Department of Public Works (DPW)

Item: Hearing to consider release of $1,677,339 in previously reserved monies for various Chinatown Alleyway Improvement Projects.

Amount: $1,677,339

Source of Funds: Special Gas Tax Improvement Funds and Road Funds, previously appropriated and reserved by the Board of Supervisors in 1994.

Description: In 1994, the Board of Supervisors approved a supplemental appropriation ordinance authorizing the expenditure of Special Gas Tax Improvement Funds and Road Funds in the amount of $3,835,000 (File No. 355-94). That supplemental appropriation included $2,938,000 for the DPW to complete various Chinatown Alleyway Improvement Projects of which $2,300,000 was reserved by the Board of Supervisors pending the submission of information to the Board of Supervisors of the construction contractors selected and provision of budget details. On August 18, 1999, the Finance Committee of the Board of Supervisors released $622,661 of the $2,300,000 reserved to fund the construction of Phase I of the Chinatown Alleyway Improvement Projects, for the Cordelia, Ross and Commercial Alleyways, leaving a balance of $1,677,339 on reserve. The construction work for Phase 2, for John and Spofford Alleyways, was funded with DPW Capital Improvement Fund monies.

The DPW is now requesting the release of the remaining balance of $1,677,339 on reserve to complete Phases 3, 4 and 5 of the Chinatown Alleyway Improvement Projects.

According to Mr. Sherman Hom of the DPW, the Chinatown Alleyway Improvement Projects are capital improvement projects on alleyway roads in Chinatown designed primarily to (1) reduce illegal parking and enhance vehicle access, thereby improving pedestrian

safety, (2) provide for mandated access improvements for the disabled and the elderly, (3) reduce illegal dumping by consolidating the dumpster area, and (4) create additional open space areas. Mr. Hom advises that in 1995 DPW retained, on a sole source basis, the Chinatown Community Development Corporation (CCDC), a nonprofit organization, to prepare a Master Plan for the Chinatown Alleyway Improvement Projects. According to Mr. Hom, the Master Plan was completed in January of 1998. Mr. Hom states that the Master Plan recommended improvements to 31 alleyways in Chinatown, and prioritized the 31 recommended Chinatown Alleyway Improvement Projects in order of importance. Attachment I provided by Mr. Hom is a list of those 31 recommended projects.

Based on data provided by Mr. Hom, as shown in the following Table 1, compiled by the Budget Analyst, as of the writing of this report, DPW had expended a total of $1,220,000 on the Chinatown Alleyway Improvement Projects, including $1,005,349 for the Phase 1 Cordelia, Ross and Commercial Street Projects, $86,550 for the Phase 2 John and Spofford Street Projects and $128,101 for the Phase 3 Waverly Place Project.

As shown on Table I, in addition to the prior expenditures of $1,220,000, future anticipated expenditures total $1,718,000, including $570,000 for the Phase 3 Waverly Place Project, $460,000 for the Phases 4 Beckett and Wentworth Projects and the $688,000 for the Phase 5 Stark, Jack Kerouac, and Bedford Alleyway Projects, thereby resulting in total estimated project costs of $2,938,000 ($1,220,000 plus $1,718,000).

Table I: Funds Incurred to Date and Funding Future Expenditures for Chinatown Alley Improvement Projects

Description	1994 Special Gas Tax
Expenditures Incurred To Date	
February 1995 – Preparation of the Master Plan, professional services contract with the Chinatown Community Development Center	$135,702
Phase 1 Alleyways - Cordelia, Ross, and Commercial Alleyways	
In-house Planning, Design, and Project Management	141,765
Construction Contract	555,315
In-house Engineering and Construction Management	172,567
Phase 1 Total	1,005,349
Phase 2 Alleyways - John and Spofford Alleyways	
Community liaison and outreach, professional service contract with Chinatown Community Development Center	$31,000
In-house Planning, Design, and Project Management	
Construction Contract	
In-house Engineering and Construction Management	55,550
Phase 2 Total	86,550
Phase 3 Alleyways - Waverly Place* Alleyways	
In-house Planning, Design, and Project Management	$128,101
Funds Incurred to Date for Phase 3	128,101
Total Expended to Date	1,220,000
Phase 3 Alleyway - Waverly Place Future Anticipated Expenditures	
Construction Contract	$498,544
Engineering and Construction Management	71,456
Phase 3 Total	570,000
Phase 4 Alleyways - Beckett and Wentworth Alleyways	
Planning, Design, and Project Management	$90,000
Construction Contract	310,000
Engineering and Construction Management	60,000
Phase 4 Total	460,000
Phase 5 Alleyways - Stark, Jack Kerouac, and Bedford Alleyways	
Planning, Design, and Project Management	$125,000
Construction Contract	493,000
Engineering and Construction Management	70,000
Phase 5 Total	688,000
Cost of Future Anticipated Expenditures	1,718,000 **
Total Estimated Project Costs	$2,938,000

*The Waverly Place project includes two alleyways, Washington Street to Clay Street, and Clay Street to Sacramento Street.

**The amount of $1,677,339 requested to be released from the reserve is $40,661 less than the $1,718,000 cost of future project expenditures because DPW still has $40,661 of expenditure authority from the 1994 appropriation not on reserve.

According to Mr. Hom, in addition to the $86,550 expended in Phase 2 for the John and Spofford Projects, the DPW also expended $290,000 of DPW Capital Improvement Program General Fund monies for these projects, resulting in a total expenditure of

$376,550. Mr. Hom further advises that the Hang Ah Alleyway Project was completed in January of 1997, for a cost of $105,000 using Community Development Block Grant funds administered by the Mayor's Office of Community Development.

The following Table II, as compiled by the Budget Analyst, based on information provided by Mr. Hom, contains a budget for the subject requested release of reserved funds totaling $1,677,339.

Table II: Budget for the Chinatown Alleyway Improvement Projects

Project Description	**Estimated Cost**
Phase 3 Alleyways – Waverly Place	
Construction Contract	$457,883*
Engineering and Construction Management	71,456
Phase 3 Total	**529,339****
Phase 4 Alleyways – Beckett and Wentworth Alleyways	
Planning, Design, and Project Management	90,000
Construction Contract	310,000
Engineering and Construction Management	60,000
Phase 4 Total	**$460,000**
Phase 5 Alleyways – Stark, Jack Kerouac, and Bedford Alleyways	
Planning, Design, and Project Management	125,000
Construction Contract	493,000
Engineering and Construction Management	70,000
Phase 5 Total	688,000
Total Budget	**$1,677,339**

*The low bid of the construction contract for Waverly Place is $498,544, but $40,661 is currently available, resulting in a need of $457,883.

** This amount of $529,339 is $40,661 less than the $570,000 amount on Table I because $40,661 is available from prior appropriations.

The following provides the current status of Phases 3, 4 and 5:

Phase 3 Waverly Place. According to Mr. Hom, on February 16, 2005, two contractors responded to a DPW Invitation for Bids and Esquivel Grading and Paving, Inc. submitted the lowest responsive bid of $498,544, which includes a construction contingency of 12 percent. Mr. Hom advises that engineering and construction management for Phase 3 will be performed with existing DPW staff. Attachment II, provided by Mr. Hom details DPW positions, hourly rates, and hours, resulting in total DPW costs of $71,456.

<u>Phase 4 Beckett and Wentworth.</u> Mr. Hom initially advised that DPW had not determined a timeline for these projects, including when DPW would issue an Invitation for Bids for the construction work. Following our request for this information, Mr. Hom developed a timeline for these projects, as shown on Attachment IV to this report.

<u>Phase 5 Stark, Jack Kerouac, and Bedford</u>. Mr. Hom first advised the Budget Analyst that DPW had still not yet determined the specific Phase 5 Alleyway Improvement Projects, and therefore was unable to provide any budget details. However, just prior to the issuance of this report, Mr. Hom advised the Budget Analyst that DPW would implement specific Alleyway Improvement Projects, Stark, Jack Kerouac, and Bedford, which were listed in the Master Plan, and that he has developed a timeline for these projects, as shown on Attachment IV.

Comments:

1. As previously noted, $2,938,000 was appropriated in 1994 by the Board of Supervisors for the Chinatown Alleyway Improvements. In 1998, a Master Plan prepared for DPW recommended that the 1994 appropriation be used to improve 31 Chinatown alleyways. According to Mr. Hom, DPW does not have an estimate of the total current costs for the 31 projects.

2. Although DPW is now requesting that the entire remaining $1,677,339 in funds previously reserved by the Board of Supervisors in 1994 be released to fund the Chinatown Alleyway Improvement Projects, the Budget Analyst notes that these funds were specifically placed on reserve by the Board of Supervisors pending submission to the Board of Supervisors of specific information including the selection of the contractors and the submission of budget details. However, such information requested by the Board of Supervisors in 1994 regarding contractor selection and submission of budget details still has not been provided to the Board of Supervisors for Phase 4, Beckett and Wentworth Alleyway

Improvement Projects, and the Phase 5, Stark, Jack Kerouac, and Bedford Alleyway Improvement Projects.

For Phases 4 and 5, DPW determined the project timelines, just prior to the issuance of this final report, and subsequent to the Budget Analyst's draft report which showed Phases 4 and 5 as undesignated projects. For Phase 4 and 5, DPW still has not (1) issued Invitations for Bid, (2) submitted detailed in-house staff support for planning, design, and project, management, and engineering and construction management, or (3) developed a budget expenditure plan. As previously noted, for Phase 5, DPW designated specific alleyway projects just prior to the issuance of this report.

The Budget Analyst therefore recommends that the Budget and Finance Committee release $529,339 of the $1,677,339 reserved for the Phase 3 Waverly Place Alleyway Project since the DPW has provided the contract and budget detail information, as was previously requested by the Board of Supervisors in 1994. Since similar contractor information and budget details totaling $1,148,000 ($460,000 for Phase 4, $688,000 for Phase 5) has not been provided to the Board of Supervisors for the Phase 4 and Phase 5 Alleyway Improvement Projects, the Budget Analyst recommends that such funds totaling $1,148,000 not be released from reserve.

3. Attachment III to this report, provided by Mr. Hom, is DPW's response to the following inquiries made by the Budget Analyst: (1) how has DPW prioritized the alleyway projects for completion given budgetary constraints (see Mr. Hom's comment below), (2) how many alleyway projects does DPW believe it can complete with the remaining 1994 appropriation, and (3) whether DPW has plans to complete all 31 alleyway projects, as was recommended in the 1998 Master Plan by the Chinatown Community Development Corporation. Mr. Hom states in Attachment II that:

> "A total of 12 or 13 alleys are expected to be completed using the original budget of $2,938,000.

This number will be short of the original projected 31 alleys as originally planned. The high cost expended to date is due to inflation, increased labor and construction costs, and a high level of difficulty in designing and constructing work in a highly congested area. The alleys completed are the priority alleys as decided by CCDC [Chinatown Community Development Corporation] and DPW. For the remaining alleys, the community and DPW will seek additional funding from CIP [Capital Improvement Program] funds* or special pedestrian grants in the future in order to continue with the alleyway improvements program."

4. As previously stated, the source of the 1994 reserved funds is Special Gas Tax Improvement Funds and Road Funds. According to Mr. Legg, these funds are restricted for capital roadway projects such as alleyway projects, and other street resurfacing projects. According to Mr. Legg, DPW's other priority capital roadway projects including various street resurfacing projects and the 4th Street Bridge Project.

5. In summary, in 1994, approximately 11 years ago, the Board of Supervisors appropriated $2,938,000 for the Chinatown Alleyway Improvement Projects, and reserved $2,300,000. Of that prior reserve of $2,300,000, a balance of $1,677,339 remains on reserve. This request is for the entire release of that $1,677,339 previously reserved by the Board of Supervisors. For $1,148,000 or 68.4 percent, out of the requested release of $1,677,339 on reserve, (including $460,000 for the Phase 4 Beckett and Wentworth Projects, and $688,000 for the Phase 5 Stark, Jack Kerouac, and Bedford Projects), DPW has still not:

(1) Issued Invitation for Bids for the construction work,
(2) Provided details on in-house staff support, and
(3) Prepared expenditure plans.

As previously noted, DPW has not provided the contractor and budget detail information requested by

* Such funds are General Fund monies.

the Board of Supervisors in 1994. It was because that information was not available in 1994, that the Board of Supervisors reserved the presently requested funds.

Mr. Legg responds that while all the funds were appropriated and reserved in 1994, the Master Plan identifying the Chinatown Alleyway Improvement Projects was not completed until 1998. The Budget Analyst observes that whether the delays for completing such Chinatown Alleyway Improvement Projects dates back to 1994 or to 1998, there has been a lengthy delay in completing these projects.

6. The Budget Analyst notes that capital improvement project costs increase over time due to increased labor and supply costs and inflation. Therefore, the failure of DPW to develop project plans to expend these reserved funds that were appropriated in 1994 has resulted in a reduction of the number of alleyway projects that can be completed with the funds originally appropriated for such projects.

7. In Attachment V to this report, Mr. Legg explains the reasons why it has taken DPW since 1994, or approximately 11 years to request that the subject funds be released. Mr. Legg states that for the reasons explained in Attachment V, he believes many of the delays for the Chinatown Alleyway Improvement Projects were beyond the control of DPW.

Recommendations: 1. Release $529,339 of the requested $1,677,339 of reserved funds for the Phase 3 Waverly Place Alleyway Improvement Project since the contractor and budget information has been submitted to the Budget and Finance Committee, as previously requested by the Board of Supervisors in 1994.

2. Do not release the remaining $1,148,000 on reserve since contractor selection and budget information, including project management and design details, has still not been submitted to the Budget and Finance Committee, as had been requested by the Board of Supervisors in 1994. The Board of Supervisors had specifically reserved these requested funds pending

submission to the Board of Supervisors of such information.

Mr. Legg advises that he agrees with the Budget Analyst's recommendations above except that he is requesting that the Budget and Finance Committee release funds for planning, design, and project management, totaling $215,000, for Phase 4, Beckett and Wentworth Alleyways and Phase 5, Stark, Jack Kerouac and Bedford Alleyways. The Budget Analyst notes that DPW has not submitted a detailed budget for in-house staff support for planning, design, and project management, and therefore recommends against DPW's request. However, if the Committee concurs with DPW, then a total of $933,000 should remain on reserve ($1,148,000 less $215,000) instead of the Budget Analyst's recommended amount of $1,148,000 to remain on reserve.

Policy Options For Consideration: The Budget and Finance Committee could consider, as a policy option, whether the Phase 4 and Phase 5 Chinatown Alleyway Improvement Projects, pertaining to the Beckett, Wentworth, Jack Kerouac, and Bedford Alleyway Projects, as currently being planned by the DPW, continue to be the priority projects of the Board of Supervisors.

If such projects, as currently planned by the DPW, are also considered to be the priority projects of the Board of Supervisors, the Budget Analyst recommends that the Budget and Finance Committee request DPW to develop a detailed expenditure plan for the balance of $1,148,000 on reserve, for which details have still not been provided to the Board of Supervisors, in advance of the June 2005 Budget and Finance Committee deliberations on the Mayor's Recommended FY 2005-2006 budget for DPW.

If the Board of Supervisors has other projects priorities, the Budget and Finance Committee could request that the DPW develop a detailed expenditure plan, for the $1,148,000 (which the Budget Analyst has recommended remain on reserve), that is consistent with the projects which the Board of

Supervisors designates to be priority projects, in advance of the June 2005 Budget and Finance Committee deliberations on the Mayor's Recommended FY 2005-2006 budget for DPW.

Recommendations - Renovation

		ROADWAY PAVING		LIGHTING			UNDERGROUNDING	LANDSCAPING		TRAFFIC					PARKING			SPECIAL PROJECTS			
		Concrete	Asphalt	City Standard Pole (Cobra)	Pedestrian Scale	Wall Mounted	Undergrounding of Existing Utilities	Small Tree/Shrub in Planter	Tree in Ground	Limited Vehicular Access to Delivery Trucks	Alley Closed to Traffic (10 a.m. to 4p.m)	One-way Through Traffic	One Grade	Sidewalks	Metered On-Street Parking	Residential On-Street Parking	No On-Street Parking	Alley Name Imprint	"Footprint"	Other Art Projects, i.e. Wall Plaques, Murals...	No Improvement Proposed
	PHASE I																				
1	Beckett	X			X		X	X				X	X				X	X	X	X	
2	Commercial	X			X			X				X		X	X			X		X	
3	Cordelia	X			X			X				X		X			X	X	X		
4	Hang Ah			X							X								X	X	
5	John	X			X		X		X			X		X		X		X			
6	Ross	X			X			X			X		X				X	X	X	X	
7	Spofford	X			X		X	X			X		X				X	X	X	X	
8	Waverly 1	X			X		X	X				X		X		X		X	X	X	
9	Waverly 2	X			X		X	X				X		X		X		X	X	X	
10	Wentworth	X			X		X	X				X		X			X*	X	X	X	
	PHASE II																				
1	Bedford	X				X							X								
2	Cooper					X							X								
3	Jack Kerouac	X			X					X			X				X	X		X	
4	Jason Court					X							X					X			
5	St. Louis				X								X					X		X	
6	Stark		X	X										X			X				
7	Stone	X			X		X					X		X			X	X			
8	Trenton 1				X							X		X			X	X			
9	Trenton 2			X			X						X				X				
10	Walter U. Lum			X								X		X	X			X			
	PHASE III																				
1	Brooklyn		X	X										X			X				
2	Joice 1				X		X					X		X			X				
3	Joice 2				X		X					X		X			X				
4	Miller																				X
5	Parkhurst		X																	X	
6	Pelton																				X
7	Sabin																				X
8	Shephard				X		X							X							
9	Wayne				X		X							X			X				
10	Wetmore 1		X		X		X					X		X			X				
11	Wetmore 2		X		X		X							X			X				

Note: Instead of the on-street parking, a green parking zone is recommended for short-term parking (for loading and unloading purposes only).

FISCAL IMPACT

The amount requested is to fund the current construction contract/engineering and construction management. We are also requesting the release of the balance to fund design and construction of two future alleyway projects. By releasing the balance, design activities can continue without delay. Any delays to the overall improvement program would result in increased construction and labor costs due to inflation and cost of living increases.

Construction Contract Phase 3- Waverly Place (estimated)	$444,889
Construction Contingency @ 12%	53,655
Subtotal	$498,544

Engineering and Construction Management for Phase 3 –Waverly Place contract

Position	Hourly Rate	Total Hours	Total Amount
5275 Senior Landscape Architect	150	40	6000
5210 Senior Civil Engineer	150	16	2400
5272 Landscape Architectural Associate II	112	40	4480
5208 Civil Engineer	130	40	5200
5206 Associate Civil Engineer	112	8	896
5364 Civil Engineering Associate I	80	16	1280
6318 Construction Inspector	110	280	30800
5305 Materials Testing Technician	74	120	8880
1426 Senior Clerk Typist	52	80	4160
1314 Public Relations Officer	92	80	7360
Total			71456

Construction Contract Subtotal Phase 3-Waverly Place	$485,000
Engineering and Construction Management-Phase 3	71,456
Total amount requested from Release of Reserve for current Contract	$556,456
Projected construction cost of Phase 4 and Phase 5 Alleys	$850,000
Projected cost of Engineering and Construction Mgmt. Phase 4 and 5	270,883
Balance of reserve requested from Release of Reserve for future work	$1,120,883
Total amount requested from Release of Reserve	**$1,677,339**

ATTACHMENTS

A-Ordinance No. 355-94

Summary

The entire program budget to renovate the alleys is S2,938,000. The BOS released $638,000 in 1994 and held the remaining $2,300,000 in reserve pending the selection of contractors and the submission of budget details.

The first step in the project was to hire CCDC as a consultant. They are a non-profit agency in Chinatown that originally did a study to improve the environment of Chinatown through the renovation of the alleys. CCDC was awarded a sole source consultant contract in February 1995.

CCDC was hired to perform community outreach, hold community meetings, and prepare conceptual plans for the alleys, meet with City agencies, and work with DPW to prepare a Master Plan document for improving the alleys. CCDC completed the Master Plan in January 1998 and City Planning formally adopted it as the official design guidelines for alleyway improvements in Chinatown in early 1999.

The Master Plan proposed improvements to 31 alleys with a set budget of $2,938,000. Recognizing that this amount was not adequate to improve all of the alleys, specific alleys were prioritized by CCDC with input from the community for renovation. The Phase 1 Alleys-Cordelia, Ross and Commercial Alleys were designed by City staff and advertised in May 1999 with funds released from reserve ($622,661) August 1999, contract awarded September 1999 and construction completion in 2000. Expenditure Summary for Phase 1:

Consultant Contract (CCDC)	135,702
Planning, Design, Project Management	141,765
Construction Contract	555,315
Construction Management	172,567
Total for Phase 1	1,005,349

Phase 1 exceeded original budget due to a delay in the project when a concerned citizen stopped the project and requested a study of using alternate materials for construction. The delay increased labor and construction costs.

Using remaining funds from the original release of $638,000 plus a second release of $622,661 and a CIP (Capital Improvement Project) appropriation of $290,000, DPW was able to continue work on the Phase 2 alleys-John and Spofford Alleys. A second consultant contract was awarded to CCDC to provide community liaison and outreach services for this project. This construction contract was awarded August 2004 with major construction completed. Expenditure Summary for Phase 2:

Consultant Contract (CCDC)	31,000
Planning, Design, Project Management	174,305
Construction Contract	172,305
Construction Management	55,500
Total for Phase 2	433,110

Phase 3 alleys-Waverly Place-Designed with bids received 2/16/05. Expended to date:

Planning, Design, Project Management	75,000

Budget Summary:

Total Program Budget	2,938,000
Released from reserve to date	1,260,661
CIP funds	290,000
Total funds available for work	1,550,661
Total funds expended to date	1,513,459
Balance remaining	37,202

See Budget summary in original write up for requested balance of funding to fund the Construction of Phase 3 Alleys-Waverly Place and future Phase 4 and 5 Alleys.

A total of 12 to 13 alleys are expected to be completed using the original budget of $2,938,000. This number will be short of the original projected 31 alleys as originally planned. The high cost expended to date is due to inflation, increased labor and construction costs, and a high level of difficulty in designing and constructing work in a highly congested area. The alleys completed are the priority alleys as decided by CCDC and DPW. For the remaining alleys, the community and DPW will seek additional funding from CIP funds or special pedestrian grants in the future in order to continue with the alleyway improvements program.

Chinatown Alleyway Improvement Schedules

Funds released in 1994

March 1995 Sole Source Contract awarded to CCDC

January 1998 Master Plan completed, adopted by City Planning formally as official design guidelines March 1999

	Under-grounding	Planning	Design	Advertised	Bids received	Award Contract	Contract Cert	NTP	Contract Completion
Phase 1 Cordelia, Ross, Commercial	NA	2/98 -8/98	9/98 - 5/99	5/12/1999	6/16/1999	9/8/1999	9/99-10/99	11/29/1999	11/00
Phase 2 John and Spofford	J:10/02-12/02 S:3/03-5/03	9/99-7/00	7/03-2/04	3/27/2004	4/28/2004	6/16/04	6/04-8/04	8/31/2004	12/04
Phase 3 Waverly Place	9/04-11/04	1/04-5/04	5/04-11/04	1/15/2005	2/16/05	3/05	3/05-5/05	5/05	11/05
Phase 4 Beckett, Wentworth	7/05-8/05	04/05-9/05	10/05-7/06	8/06	9/06	11/06	12/06-1/07	3/07	10/07
Phase 5 Stark, Jack Kerouac, Bedford	NA	8/05-3/06	4/06-12/06	1/07	2/07	4/07	5/07-6/07	7/07	3/08

City and County of San Francisco

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Department of Public Works
Finance and Budget Division
Financial Management and Administration
City Hall, Room 348
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4645
Douglas Legg, Manager, Capital Finance

Memorandum

March 9, 2005

To: Harvey Rose
Budget Analyst's Office

From: Douglas Legg

Re: Request for Release of Reserve—Chinatown Alleyways Project

This is in response to your questions about why so much time has elapsed between the appropriation of funds for the alleyway projects and their implementation.

Our program is essentially four years behind schedule. The Chinatown Alleyway Master Plan, a copy of which I provided to you, anticipated that the entire program would be completed in 2008; the projects for which we are requesting a release of reserve, and that we anticipate completing in March 2008, were to have been completed by the end of 2004. If the release of reserve is approved, we will be able to complete 75% of the planned construction elements included in the Master Plan. The fact that will not be able to complete 100% of the construction elements is attributable to the under-budgeting for public affairs and other soft costs in the Master Plan, which provided only 28% of construction costs for a series of small projects with intense community interest and conflict.

The program is behind schedule for three reasons: (1) extensive community input in both the Master Planning phase of the program, and in each of the implementation phases (planning/design/construction) has meant more time to achieve each program milestone; (2) a loss of nearly three years in the implementation schedule because of PG&E's inability to complete the undergrounding portion of the program (due to their financial situation and eventual bankruptcy filing) which was a necessary antecedent to starting construction of the highest priority projects; and (3) the need to stagger implementation of the projects to minimize disruption to the Chinatown neighborhood. Attached is a timeline for completed and planned alleyway projects, which illustrates why this complicated, multi-location project has taken so long to implement. It also shows DPW's schedule for completing projects that can be funded with the 1994 allocation.

In 1995 Chinatown Community Development Center was awarded a contract to produce a Master Plan for the Chinatown Alleyways. Because of an extensive community input process, and some changes in personnel at CCDC, the plan was not completed until 1998. City Planning adopted the Master Plan as the official design guidelines for the program a little more than a year later. Concurrent with City Planning review, DPW conducted planning and began design on the first phase alleyways (Cordelia, Ross & Commercial). **It would not have been proper for DPW to advertise and award any construction projects before the community input and planning process had been completed.** There was no undergrounding of utilities in the first phase projects.

Planning on the second phase of alleyways (John and Spofford) began immediately after award of the construction contract for the first phase. These projects, as well as the two alleyways in the third phase, were delayed because they had to wait for PG&E to complete undergrounding of utilities. Planning was completed in July 2000 on the John and Spofford Alleys, but PG&E had fallen into its financial difficulties that resulted in their bankruptcy declaration in April 2001. Undergrounding wasn't completed until May 2003, at which point DPW began design for construction. Design on the third phase of the program (Waverly) began immediately after design of John and Spofford was complete.

DPW is ready to begin planning for the fourth phase of alleyways (Beckett and Wentworth) as soon as design money is released from reserve. This is the last phase that will include undergrounding, and should be completed in October 2007. We could accelerate planning and design of the fifth and final phase of alleyways, but don't recommend doing so because having concurrent construction on five alleyways could be disruptive to the Chinatown neighborhood. If the final phase is not accelerated it will be complete in March 2008.

As shown in the second attachment from the Master Plan, the nine alleys included in the first four phases of work were the highest priority projects in the Master Plan; they also had the most project elements and were the most costly to construct. The alleyways that DPW plans to begin design work should the release of reserve be approved are the next highest priority projects, and have fewer project elements. DPW will seek funds to complete the remaining alleyways in the future. We also will be able to complete some of the planned improvements through our annual sidewalk and street resurfacing programs.

Item 4 - File 04-1005

Department: Department of Parking and Traffic (DPT)
Department of Public Works (DPW)

Item: Ordinance adding Sections 71, 73, 75, and 79 to the San Francisco Traffic Code to require the Director of Parking and Traffic to: (1) install countdown pedestrian signals and ladder striped crosswalks, (2) designate specific crosswalk signal crossing times, and (3) upon the recommendation of the Pedestrian Safety Advisory Committee, install 100 signs per year for three years for the purpose of informing the public regarding prohibited sidewalk activities; amending Section 703 of the San Francisco Public Works Code to require: (1) all curb heights and adjacent sidewalks be a minimum height of six to eight inches as measured from the gutter by June 30, 2024, and (2) a Citywide survey of curb heights and adjacent sidewalks be conducted by the Department of Public Works by June 30, 2007, in order to prioritize the work process; and adding Sections 703.3 and 703.4 to the Public Works Code to require that the Director of Public Works, by June 30, 2009, install: (1) corner curb bulb-outs on Geary Boulevard, Mission Street, Geneva Avenue, and at the intersections of Dr. Carlton B. Goodlett Place and McAllister and Grove Streets, as permitted by State and local law, and (2) Americans With Disabilities Act (ADA) compliant curb-cut ramps on every sidewalk corner in the City by June 30, 2014. "The requirements and schedules for installation of certain devices and improvements shall inform the subsequent San Francisco Pedestrian Master Plan and funding may be sought through the Proposition K 5-Year Funding Priority Program."

Description: The proposed ordinance would add Sections 71, 73, 75, and 79 to the Traffic Code, add Sections 703.3 and 703.4 to the Public Works Code, and amend Section 703 of the Public Works Code.

Regarding the installation of pedestrian safety improvements, the proposed ordinance would require DPT to:

- Install countdown pedestrian signals[1] that give a minimum of ten seconds of crossing time at all crosswalks currently controlled by pedestrian signals by June 30, 2009, and at all corners of all intersections equipped with traffic signals by June 30, 2014;
- Set crosswalk signal crossing times at two and one-half feet per second across each intersection, or at two feet per second to a safe refuge by June 30, 2009;
- Install ladder striped crosswalks[2] at all intersections immediately adjacent to any school, licensed day care center located in a commercial zone, senior center, or hospital by June 30, 2009; and,
- Install 100 pedestrian safety signs per year for three years to inform the public of prohibited sidewalk activities (e.g. vehicle parking on sidewalks, riding bicycles and skateboards on sidewalks, using electric personal assistive mobility devices, and blocking the sidewalk) upon recommendation of the City's Pedestrian Safety Advisory Committee.

The proposed ordinance would require DPW to:

- Conduct a City-wide survey of curb heights by June 30, 2007;
- Make all curb heights and adjacent sidewalks in the entire City a minimum height of 6 to 8 inches, as measured from the gutter, by June 30, 2024[3];
- Install corner curb bulb-outs[4] on Geary Boulevard, Mission Street, Geneva Avenue, and at the

[1] Countdown pedestrian signals are signals that regulate pedestrians movement across intersections and that utilize a numerical countdown, as opposed to traditional pedestrian signals that utilize only two images to define when it is safe to cross the intersection.

[2] Ladder-striped crosswalks are pedestrian crosswalks that have internal striping perpendicular to the direction of crossing, making the crosswalks more visible.

[3] According to Mr. Legg, existing DPW policies call for new curbs to be six inches (or sometimes eight inches) high. This requirement is similar to the requirements of the proposed ordinance, although the existing policies only apply to new curb construction, not all curbs in the City, as would be required by the proposed ordinance.

[4] Corner curb bulb-outs are corners that extend out into the parking lane, reducing the crossing time for pedestrians (as a result of the shorter distance from corner to corner), allowing public transit riders easier access to buses, and slowing traffic.

intersections of Dr. Carlton B. Goodlett Place and McAllister and Grove Streets by June 30, 2009; and,
- Install ADA-compliant curb-cut ramps[5] on every sidewalk corner in the City by June 30, 2014.

According to the proposed ordinance, the requirements and schedules for installation of these devices and improvements "shall inform the subsequent San Francisco Pedestrian Master plan" (see Comment Nos. 4 and 5) and "funding may be sought through the Proposition K 5-Year Funding Priority Program" (see Comments Nos. 3, 6, 7, 8, and 9).

Estimated One-Time Costs: $379,144,479

The following table, compiled by the Budget Analyst using information from Attachment I, provided by Mr. Frank Markowitz of DPT, and Attachment II, provided by Mr. Douglas Legg, Mr. Patrick Rivera, and Ms. Anna LaForte of DPW, summarizes the estimated one-time costs to the City for implementing the pedestrian safety improvements required by the proposed ordinance, based on departments' mid-range scenarios, when applicable:

[5] Curb cut ramps are ramps at corners that descend from the sidewalk to the street and allow pedestrians who are unable to exit the sidewalk via the curb to cross the intersection. Curb ramps are most commonly found at street intersections, but they are also used at other locations such as on-street parking, passenger loading zones, and mid-block crossings. According to Mr. Nelson Wong of DPW, ADA specifications includes such items as width, slope, cross-slope of the ramp, use of tactile features (truncated domes), and dimensions of level landing.

Department	Proposed Pedestrian Safety Improvement	Estimated One-Time Costs
DPT	Countdown Pedestrian Signals	$11,250,400
	Signal Crossing Times	7,766,400[6]
	Ladder Striped Crosswalks	510,000
	Pedestrian Safety Signs	36,000
	DPT Subtotal	**$ 19,562,800**
DPW	Curb Ramps	$210,228,150
	Bulb Outs	30,031,112[7]
	Curb Heights	119,322,417[8]
	Curb Prioritization Survey	unknown[9]
	DPW Subtotal	**$359,581,679**
TOTAL ESTIMATED ONE-TIME COSTS		**$379,144,479**

The Budget Analyst notes that the one-time cost estimates in the above table, totaling $379,144,479, do not take into account the annual maintenance costs of the proposed pedestrian safety improvements. For example, Mr. Markowitz estimates that it will cost DPT $40,000 to $50,000 per year to maintain the additional 300 to 400 ladder striped crosswalks mandated in the proposed ordinance. Further, the cost estimates included in the table do not take into account the different mandated installation timelines for the pedestrian safety

[6] According to Mr. Markowitz, the cost estimate for the proposed requirement related to crosswalk signal crossing times is very approximate. Further, Mr. Markowitz advises that "The costs for this requirement would be extremely time consuming and difficult to estimate...Additional costs may be associated with the environmental review of locations where signal timing changes may result in significant adverse traffic level impacts."

[7] The estimated cost for the corner curb bulb out requirement in the proposed ordinance is an average of a high cost scenario and a low cost scenario, as shown in Attachment II.

[8] The estimated cost for the curb height requirements of the proposed ordinance is the median scenario, in which it is assumed that 2.5% of all curbs in the City would be affected, as shown in Attachment II.

[9] By comparison, according to Mr. Kevin Jensen of DPW, DPW's recent estimate for a Citywide survey of sidewalk conditions is approximately $1,400,000, excluding curb height data collection.

improvements, which range from June 30, 2007 (the required completion date for the Citywide survey of curb heights) to June 30, 2024 (the required completion date for all curbs and adjacent sidewalks to have a minimum height of six to eight inches as measured from the gutter).

Source of Funds: Not identified (see Comments No. 3, 6, 7, 8, and 9)

Comments:

1. According to Mr. Kennedy of the City Attorney's Office, currently there are no local, State or Federal requirements regarding the installation of countdown pedestrian signals, ladder striped crosswalks, and pedestrian safety signs, or the designation of specific pedestrian signal crossing times. According to Mr. Markowitz, there are some Federal and State engineering standards regarding countdown pedestrian signals, crosswalk markings, and pedestrian signal crossing times, which are primarily contained within the Federal Manual of Uniform Traffic Control Devices (MUTCD) and the Callifornia supplement to MUTCD. Mr. Markowitz advises that, in general, the requirements in the proposed ordinance are stricter than these Federal and State standards. For example, existing Federal and State standards for pedestrian signal crossing time call for four feet per second for pedestrian clearance (i.e. from flashing red hand or flashing "don't walk" indication until cross traffic gets the green indication). According to MUTCD, when slower pedestrians "routinely" use a crosswalk, slower speeds should be used, but this is not mandatory. Mr. Markowitz advises that these same Federal and State standards do, however, require pedestrian signals adjacent to schools, and, therefore, this is the highest priority for DPT.

According to Mr. Kevin Jensen of DPW, curb ramps are mandatory for existing and new construction in the public right-of-way under Title II of the Americans with Disabilities Act (ADA). Curb Ramps for existing facilities, such as streets, curbs, and sidewalks, must be included in an ADA Curb Ramp Transition Plan. Such plans include a schedule, with year-by-year steps identified, for providing curb ramps or other accessible means to cross streets in an accessible manner. According to Mr. Jensen, toward this end, DPW has recently updated its Curb

Ramp Standards and Priorities Standard. These standards aim to provide a directional (i.e. aligned with the crosswalk) curb ramp at each end of each crosswalk to the extent it is technically feasible to do so.

According to Mr. Legg, existing DPW policies call for new curbs to be six inches (or sometimes eight inches) high. This requirement is similar to the requirements of the proposed ordinance, although the existing policies only apply to new curb construction, not all curbs in the City, as required by the proposed ordinance. According to Ms. LaForte, if the proposed legislation were approved, DPW would be required to identify all curbs in the City that are currently less than six inches high as measured from the gutter, group them into projects, and rebuild the curbs (and adjoining sidewalks) to achieve a minimum 6 inch curb height.

2. Attachment III, compiled by the Budget Analyst using information provided by DPT and DPW, summarizes the existing plans and prioritization methods of DPT and DPW staff for installing the types of pedestrian safety improvements included in the proposed ordinance. Attachment III also contains comments and concerns expressed by DPT and DPW regarding the proposed ordinance's requirements. The Budget Analyst notes that, according to Attachment III, both DPT and DPW already have prioritization procedures in place for the installation of all of the pedestrian safety improvements contained in the proposed ordinance. Further, the Budget Analyst notes that both departments expressed concerns related to the proposed ordinance, including concerns about the effectiveness of some of the proposed pedestrian safety improvements and potential negative externalities, or negative impacts that are caused by the proposed requirements but that are not directly related to the proposed requirements, such as increased traffic levels impacts. Attachment III contains examples of the specific concerns of DPT and DPW.

3. Proposition K, which was approved by San Francisco voters in November of 2003, extended the existing $0.005 (one half cent) Sales Tax that funds transportation improvements previously authorized by Proposition B

from 1989 and approved a new Expenditure Plan[10]. According to Mr. Markowitz, Proposition K Sales Tax revenues are anticipated to provide approximately $21,400,000 over the next 30 years[11], or an average of approximately $713,333 per year, in the Pedestrian Circulation and Safety expenditure category of the Expenditure Plan, a category that includes programmatic improvements to the safety and usability of streets for pedestrians. As the lead agency for the Pedestrian Circulation and Safety expenditure category, DPT is coordinating with the Municipal Railway, DPW, the Bay Area Rapid Transit District (BART), and the Peninsula Corridor Joint Powers Board to allocate funding to other pedestrian programs. There is also funding in other Proposition K Sales Tax expenditure categories (e.g. "New Signs and Signals") that could affect pedestrian safety.

According to Mr. Markowitz, drafts of the Proposition K 5-Year Funding Priority Program are currently being reviewed by the San Francisco County Transportation Authority (SFCTA) and departmental staff and should be available for full public review by late March. The Board of Supervisors, sitting as the SFCTA Board of Commissioners, is required to approve all plans and to appropriate all funds pertaining to the expenditure of the Proposition K Sales Tax funds, including the Proposition K 5-Year Funding Priority Program. The SFCTA is expected to approve the proposed Proposition K 5-Year Funding Priority Program in May of 2005.

4. In conjunction with the Proposition K 5-Year Prioritization Program, DPT is presently developing the scope for the City's first Pedestrian Master Plan, which, according to Ms. Diana Hammons of DPT, is the blueprint for policy changes and physical improvements related to pedestrian transportation Citywide over a 20-year

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[10] The Expenditure Plan determines eligibility for Proposition K Sales Tax funds through a list of specific projects and programs, sets caps for the maximum amount of Proposition K Sales Tax funds that will be available for 20 specific expenditure categories, and contains other requirements, such as the development of the Proposition K 5-Year Prioritization Program for each expenditure category.

[11] According to Mr. Markowitz, the estimate for anticipated $21,400,000 in Proposition K Sales Tax revenues over the next 30 years assumes that funding is used at an even pace throughout the 30-year life of the Sales Tax. Mr. Markowitz advises that the probable "front loading" of expenditures to bring improvements on-line sooner will result in debt service charges that may significantly decrease total funding available over 30 years.

planning horizon. The development of the Pedestrian Master Plan is funded by Proposition K Sales Tax funds allocated by the SFCTA. The SFCTA has funded the development of a workscope and outline for the Pedestrian Master Plan, but has not yet funded the development of the Pedestrian Master Plan itself.

According to Mr. Markowitz, DPT has already drafted an outline, "vision and status" statement, preliminary budget, and schedule for the Pedestrian Master Plan. These have been submitted to the SFCTA, the Pedestrian Safety Advisory Committee, and others. SFCTA staff have indicated that they expect to fund either DPT, or the Municipal Transportation Authority's Planning Department, in approximately July of 2005 to begin work on the development of the Pedestrian Master Plan itself. Ms. Hammons advises that DPT does not know when the Pedestrian Master Plan will be completed, but that it will likely take two to three years from now.

5. As previously noted, the proposed ordinance states that the requirements and schedules for installation of the pedestrian safety improvements contained in the subject ordinance shall inform the subsequent Pedestrian Master Plan. In response to a Budget Analyst inquiry regarding what the responsibilities of DPT and DPW are if the proposed ordinance is approved but the subsequent Pedestrian Master Plan does not include the pedestrian safety improvements and schedules that are contained in the proposed ordinance, Mr. Kennedy advises that the language of the proposed ordinance requires certain pedestrian safety improvements by specific dates "regardless of whether or not these improvements are included in the Pedestrian Master Plan."

6. As previously noted, the proposed ordinance states that "funding may be sought through the Proposition K 5-Year Funding Priority Program." In response to a Budget Analyst inquiry regarding what the responsibilities of DPT and DPW are if the proposed ordinance is approved but the Proposition K 5-Year Funding Priority Program approved by the SFCTA does not include the pedestrian safety improvements outlined in the proposed ordinance, Mr. Kennedy advises that another funding source would

then need to be identified, such as General Fund revenues, to implement the proposed ordinance. The Budget Analyst notes that the City would be required to undertake all of the pedestrian safety improvements contained in the proposed ordinance if it is approved, whether or not Proposition K Sales Tax funds are secured to fund the pedestrian safety improvements. According to Ms. LaForte and Ms. Hammons, there are no other likely significant funding sources to pay for the estimated one-time costs of implementing the proposed ordinance, except for the City's General Fund.

7. The Budget Analyst further notes that, as previously stated, the Proposition K Sales Tax revenues anticipated in the Pedestrian Circulation and Safety expenditure category are anticipated to provide approximately $21,400,000 over the next 30 years, or approximately an average of $713,333 per year. Further, as previously noted, the total amount available over 30 years is likely to be less as a result of debt service costs. Therefore, the estimated one-time cost of the proposed ordinance, or $379,144,479, is $357,744,479 more than the approximate Proposition K Sales Tax revenues of $21,400,000 anticipated in the Pedestrian Circulation and Safety expenditure category, without taking debt service costs into account. Further, all of the mandated installation timelines required by the proposed ordinance end prior to the 30 year time horizon of the approximate anticipated $21,400,000 in Proposition K Sales Tax revenues in the Pedestrian Circulation and Safety expenditure category.

8. Attachment IV, provided by Mr. Markowitz is a summary of the pedestrian safety projects included in DPT's Proposition K 5-Year Prioritization Program as of February 21, 2005. In addition, Ms. LaForte advises that DPW has the following plans for Proposition K Sales Tax funds for curb ramps for the next five years:

FY 2004-2005	$867,000[12]
FY 2005-2006	581,582
FY 2006-2007	589,351
FY 2007-2008	597,063
FY 2008-2009	604,689
TOTAL	$3,239,685

[12] The $867,000 was previously allocated in June 2004.

The Budget Analyst notes that there are several examples of the types of pedestrian safety improvements required by the proposed ordinance that are already included in existing plans for Proposition K Sales Tax funds, although the scopes of the existing plans for pedestrian safety improvements listed in Attachment IV and above are significantly smaller than those required by the proposed ordinance, in most cases.

9. According to Mr. Kennedy, if the proposed ordinance is approved, DPT and DPW would not be required to forego other projects authorized to be funded by Proposition K Sales Tax funds. The proposed ordinance merely recommends that the pedestrian safety improvements, as required by the ordinance, be funded by Proposition K Sales Tax funds, but the ordinance does not preclude the use of other funding sources. As previously noted, the SFCTA ultimately determines and approves all expenditures of Proposition K Sales Tax funds, and the proposed ordinance would not supercede the SFCTA's funding priorities and/or determinations. The Budget Analyst notes, though, that if the proposed ordinance is approved, its requirements may influence DPT and DPW to alter their future proposals for Proposition K Sales Tax funds to include more of the pedestrian safety improvements required by the ordinance and, in turn, delete other projects that would have otherwise been considered priorities by DPW and DPT.

Recommendation: Given that (a) the estimated one-time cost of implementing the proposed ordinance is $379,144,479; (b) both DPT and DPW have existing plans and prioritization procedures in place for the installation of all of the pedestrian safety improvements required by the proposed ordinance; (c) both DPT and DPW expressed concerns related to the proposed ordinance, including concerns about the effectiveness of and externalities associated with some of the proposed pedestrian safety improvements; (d) funds have not been identified for the estimated one-time cost for all of the requirements contained in the proposed ordinance, although the City would be required to implement all of the pedestrian

safety improvements if the proposed ordinance is approved; (e) the estimated one-time cost of the proposed ordinance, or $379,144,479, is $357,744,479 more than the approximate Proposition K Sales Tax revenues of $21,400,000 anticipated in the Pedestrian Circulation and Safety expenditure category over a 30 year time period; (f) DPT and DPW believe that the only other significant source of funds for implementing the proposed ordinance is the City's General Fund; and, (g) it is unknown if any other projects previously planned for Proposition K Sales Tax funds would not be funded as a result of approval of the proposed ordinance, approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Policy Options for Consideration:

Approval of the proposed ordinance is a policy matter for the Board of Supervisors as follows:

Approval of the proposed ordinance would mean that the Board of Supervisors agrees with all of the following:

(a) the proposed ordinance's pedestrian safety improvements, valued by the Budget Analyst, based on data provided by DPT and DPW, at an estimated one-time implementation cost of $379,144,479, are a funding priority for the City;

(b) DPW's and DPT's existing plans and prioritization procedures related to the installation of pedestrian safety improvements are not adequate;

(c) the concerns expressed by DPT and DPW related to the proposed ordinance, including concerns about the effectiveness of and externalities associated with some of the pedestrian safety improvements and mandated timelines, are not significant enough to recommend altering or disapproving the proposed ordinance; and,

(d) although funds have not yet been identified for the implementation of the proposed ordinance, the City should be required to execute all of the pedestrian safety improvements according to the mandated timelines and with General Funds, if necessary.

Disapproval of the proposed ordinance would mean that the Board of Supervisors disagrees with any of the above statements (a) through (d).

Other Policy Options For Consideration:

1. If the Board of Supervisors supports, as a policy matter, the pedestrian safety improvements and installation timelines in the proposed ordinance, but does not wish to require the City to execute all requirements of the proposed ordinance without secured funding, the Board of Supervisors could approve a resolution urging, but not requiring, DPT and DPW to undertake the same pedestrian safety improvements and installation timelines.

2. If the Board of Supervisors approves of some of, but not all of, the pedestrian safety improvements and mandated installation timelines in the proposed ordinance, the Board of Supervisors could amend the proposed ordinance accordingly.

Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Daly
Supervisor Elsbernd
Supervisor Ma
Supervisor McGoldrick
President Peskin
Supervisor Alioto-Pier
Supervisor Dufty
Supervisor Maxwell
Supervisor Mirkarimi
Supervisor Sandoval
Clerk of the Board
Controller
Erin McGrath
Ted Lakey
Cheryl Adams

DPT Cost Estimates for Proposed Requirements

Pedestrian Countdown Signals

Replacements: DPT has virtually completed the conversion of conventional pedestrain signals to pedestrian countdown signals. Therefore, the cost to do the remaining locations is estimated at **$50,400** (36 intersections x average 4 "missing" countdowns x $350/ped head labor + materials).

New signals: There are about 1,162 intersections with traffic signals, 780 of which have countdown signals (operating or installed-but-not-running) and 36 of which conventional pedestrian signal intersections. Roughly 80 intersections have committed funding and projects to install ped countdown signals. That would leave 266 intersections requiring new funding to achieve this x $30,000/intersection, or approximately **$8.0 million**. In addition, there are about 215 intersections with pedestrian signals on some crosswalks but not all. These 215 intersections would add roughly $15,000/intersection to equip with countdowns , or an additional **$3.2 million**.

Crosswalk Signal Crossing Times

The above cost estimate for the proposed requirement related to crosswalk signal crossing times is very approximate. The costs for this requirement would be extremely time consuming and difficult to estimate, especially as it is generally feasible to achieve the 2.5 feet per second requirement, but with the potential for significant traffic level of service impacts.

Also, the proposed ordinance language is open to broad interpretation regarding a "safe median refuge" required when it is not feasible or desirable to provide 2.5 feet per second across wide arterial streets. There are numerous locations where an existing 4-foot-or-wider raised median island extends to or near the crosswalk, but not into the crosswalk. Typically there is no ramp up to the island, and the island itself is not easily accessible to those with mobility impairments, strollers, etc. However, it is possible for a wheelchair user or anyone else to stand next to the island in its "shadow." Assuming that such locations do NOT qualify as "safe refuges", a major median island construction program would likely be needed on several arterial corridors to provide islands or "thumbnail extensions" into the crosswalks with an accessible channel. The cost for this program is estimated at **$7.6 million** (200 intersections x 2 median islands or extensions x $19,000/island, including design).

The DPW Accessibility Coordinator indicated that, in his opinion, an accessible safe refuge area would need to be 9 feet wide, to allow for detectable warning strips (truncated dome strips) on each side. In some locations, major reconfiguration of the

intersection (parking or traffic lane elimination) would be needed to achieve this standard.

Engineering and project management costs are estimated at roughly **$166,400** (one person-year of engineering time at average $80 per hour, including overhead).

Additional costs may be associated with the environmental review of locations where signal timing changes may result in significant adverse traffic impacts.

Ladder Striped Crosswalks

DPT has already installed yellow ladder crosswalks at over 600 of the over 900 school intersections (within 2 blocks of schools) and has plans and funds to complete the remaining approximately 300 school intersections within the next two years.

DPT estimates that this requirement would include ladder-style striping at roughly 300-400 additional intersections citywide. Since DPT may exempt specific locations, if DPT assumes 300 intersections at $1700 per intersection, additional installation costs would be roughly **$510,000.**

In addition, the thermoplastic striping has a useful service life of roughly seven years. Therefore, once the striping starts wearing out, the additional maintenance cost (at $1,000 per intersection for restriping) would be about **$40,000 to $50,000 annually.**

If crosswalks adjacent to schools, day care centers in commercial zones, senior centers, and hospitals were automatically replaced with ladder striping when they needed re-installation, it would take roughly seven years until complete conversion, longer than the timeline outlined in the proposed ordinance.

As ladder striping costs four times as much to install (and maintain) as non-ladder striped crosswalks, it would be impossible to expand this effort to non-school intersections substantially without new funding. In fact, DPT needs to obtain additional funding to pay for maintenance of the crosswalks already installed.

Pedestrian Safety Signs

Each pair of signs would cost very roughly $200 to install (including materials, installation labor, and supervision), or $30,000. Analyzing and selecting locations (1/4 hour per sign at $80/hour) would add $6,000. The total estimated cost of this requirement would therefore be **$36,000.**

DPT has requested and is likely to receive regional Transportation Enhancement funding to cover installation of at least 50 such signs, as well as education/outreach efforts. This funding is likely, but not guaranteed. DPT would need to find additional funding for the remaining 250 signs required by the ordinance. The grant period is three years, starting around July 2005.

Attachment II

DPW Cost Estimates for Proposed Requirements

	23,581	total returns in SF
	1.60	average number of ramps per return
$	13,300	average cost per return to construct/reconstruct to bring into accessibility compliance
$	1,200	average cost per return to install truncated dome
$	7,250	average cost per return between installing truncated dome vs. construction/reconstruction

	10,822	returns with a safety score problem
	8,272	returns with no ramp
	745	returns where no ramp is possible
	3,742	returns with no score in the 2000 survey - i.e. no safety problem at the time of the survey. This likely means that these ramps only need truncated domes
	23,581	total returns in SF

Construct/Reconstruct

	7,247	returns with safety scores greater than 100
	8,272	returns with no ramp
	370	returns improved after 2002. These returns meet current standards.
	719	designed in 2003/04 and ready for construction. These returns meet current standards.
	1,000	returns improved between 1999 and 2002. These returns likey only need truncated domes.
	13,430	total returns in need of new construction or reconstruction
$	178,619,000	cost to construct or reconstruct

Install Truncated Domes (only)

	1,000	returns improved between 1999 and 2002. These returns likley only need truncated domes.
	3,742	returns with no score in the 2000 survey - i.e. no safety problem at the time of the survey. This likely means that these ramps only need truncated domes
	4,742	total returns in need of truncated dome
$	5,690,400	cost to install truncated domes

Functional Returns With Varying Levels on Necessary Improvements

	3,575	returns with safety scores less than 100
$	25,918,750	cost to bring functional returns into accessibility compliance

$	**210,228,150**	Total cost to construct/reconstruct, install truncated domes, and make varying levels of necessary improvements to bring SF into accessibility compliance.

"...adding Sections 703.3 and 703.4 to the San Francisco Public Works Code to require the Director of Public Works to install (1) corner bulb-outs on Geary Boulevard, Van Ness Avenue, 19th Avenue, Mission Street, and Geneva Avenue..." by July 1, 2009

Bid Item	Bid Item Description [1]	UNIT PRICE	UNIT	Geary Boulevard Grant -- 47th Ave. Quantity	Geary Boulevard Grant -- 47th Ave. Cost	Van Ness Ave. North Point -- Market Quantity	Van Ness Ave. North Point -- Market Cost	19th Ave. Irving -- Wawona Quantity	19th Ave. Irving -- Wawona Cost	Mission St. Embarcadero -- Sickles Quantity	Mission St. Embarcadero -- Sickles Cost	
1	Demo	$ 2	SF	1,370	$ 2,740	1,370	$ 2,740	1,370	$ 2,740	1,370	$ 2,740	
2	3-1/2-Inch Thick Concrete Sidewalk	$ 7	SF	702	$ 4,914	702	$ 4,914	702	$ 4,914	702	$ 4,914	
3	Combined 6-Inch Wide Concrete Curb & 2-Feet Wide Concrete Gutter	$ 45	LF	57	$ 2,565	57	$ 2,565	57	$ 2,565	57	$ 2,565	
4	8 Inch Thick Concrete Base	$ 8	SF	631	$ 5,048	631	$ 5,048	631	$ 5,048	631	$ 5,048	
5	Asphalt Concrete Wearing Surface	$ 75	TON	9	$ 675	9	$ 675	9	$ 675	9	$ 675	
6	Concrete Curb Ramp with Truncated Domes	$ 2,000	EA	2	$ 4,000	2	$ 4,000	2	$ 4,000	2	$ 4,000	
	Subtotal Construction Estimate per Bulb Out				$ 19,942		$ 19,942		$ 19,942		$ 19,942	$ 79,768
	Approximate number of Corner Bulbs				296		128		80		296	780
	Subtotal Construction				$ 5,902,832		$ 2,552,576		$ 1,198,520		$ 5,902,832	$ 15,554,760
	Labor											
	Approximate number of Intersections				74		32		15		74	$ 195
	Planning @ $2,400/intersection				$ 177,600		$ 76,800		$ 36,000		$ 177,600	$ 468,000
	Surveys @ $7,000 per intersection				$ 518,000		$ 224,000		$ 105,000		$ 518,000	$ 1,365,000
	Design @ $10,000 per intersection				$ 740,000		$ 320,000		$ 150,000		$ 740,000	$ 1,950,000
	Construction Management @ $3000/intersection				$ 222,000		$ 96,000		$ 45,000		$ 222,000	$ 585,000
	Construction Support @ $1,500 per intersection				$ 111,000		$ 48,000		$ 22,500		$ 111,000	$ 292,500
	Subtotal Labor				$ 1,768,600		$ 764,800		$ 358,500		$ 1,768,600	$ 4,660,500
	Subotal Construction/Labor				$ 7,671,432		$ 3,317,376		$ 1,555,020		$ 7,671,432	$ 20,215,260
	Project Contingency at 15%				$ 1,150,715		$ 497,606		$ 233,253		$ 1,150,715	$ 3,032,289
	Total Project Cost Estimate Excluding Other Items to Consider				$ 8,822,147		$ 3,814,982		$ 1,788,273		$ 8,822,147	$ 23,247,549
	Other Items to Consider											
	Relocate Catchbasin @ $2,000 per bulb out [2]	$2,000			$ 2,000		$ 2,000		$ 2,000		$ 2,000	
	# of locations				296		128		60		296	
					$ 592,000		$ 256,000		$ 120,000		$ 592,000	$ 1,560,000
	Relocate Low Pressure Fire Hydrants @ 10,000/bulb out [3]	$10,000			$ 10,000		$ 10,000		$ 10,000		$ 10,000	
	# of locations				37		16		8		37	
					$ 370,000		$ 160,000		$ 75,000		$ 370,000	$ 975,000
	Relocate High Pressure Fire Hydrants @ $50,000/bulb out [4]	$15,000- $100,000			$ 50,000		$ 50,000		$ 50,000		$ 50,000	
	# of locations				19		8		4		19	
					$ 925,000		$ 400,000		$ 187,500		$ 925,000	$ 2,437,500
	Relocate Street Lights @ $4,000/bulb out [2]	$4,000			$ 4,000		$ 4,000		$ 4,000		$ 4,000	
	# of locations				296		128		60		296	
					$ 1,184,000		$ 512,000		$ 240,000		$ 1,184,000	$ 3,120,000
	Relocate Traffic Signal @ $7,500/bulb out [5]	$7,500			$ 7,500		$ 7,500		$ 7,500		$ 7,500	
	# of locations				148		64		30		148	
					$ 1,110,000		$ 480,000		$ 225,000		$ 1,110,000	$ 2,925,000
	Relocate Side Sewer Vent @ $750/bulb out [6]	$750			$ 750		$ 750		$ 750		$ 750	
	# of locations				99		43		20		99	
					$ 74,000		$ 32,000		$ 15,000		$ 74,000	$ 195,000
	Relocate Tree @ $2,000 per bulb out [7]	$1,500- $2,000			$ 2,000		$ 2,000		$ 2,000		$ 2,000	
	# of locations				37		16		8		37	
					$ 74,000		$ 32,000		$ 15,000		$ 74,000	$ 195,000
	Adjust Manhole/Valve/Vault in existing street area @ $2,000/bulb [4]	$500- $2,000			$ 2,000		$ 2,000		$ 2,000		$ 2,000	
	# of locations				74		32		15		74	
					$ 148,000		$ 64,000		$ 30,000		$ 148,000	$ 390,000
	Subtotal Other Items to Consider				$ 4,477,000		$ 1,936,000		$ 907,500		$ 4,477,000	$ 11,797,500
	Contingency @ 15%				$ 671,550		$ 290,400		$ 136,125		$ 671,550	$ 1,769,625
	Total Other Items to Consider to be Added to Project Estimate Above				$ 5,148,550		$ 2,226,400		$ 1,043,625		$ 5,148,550	$ 13,587,125
	Take into consideration...											
	Are there any subsidewalk basements											
	Are there any Muni overhead poles											
	Low End Cost				$ 8,822,147		$ 3,814,982		$ 1,788,273		$ 8,822,147	$ 23,247,549
	High End Cost				$ 13,970,697		$ 6,041,382		$ 2,831,898		$ 13,970,697	$ 36,814,674

Notes

1) Assume bulbs are 7 feet wide and 20 ft long, roadway reconstruction required for drainage and conform

2) At all corner bulb outs

3) At 50% of the intersections

4) At 25% of the intersections

5) At 50% of the corner bulb outs

6) At 33% of the corner bulb outs

7) At all the intersections

8) Costs are at 2004 dollars

"...amending Section 703 of the San Francisco Public Works Code to require that all curb heights and adjacent sidewalks be a minimum height of six to eight inches as measured from the gutter by July 2024

				5% of all curbs [7]		2.5% of all curbs [7]		1% of all curbs [7]	
Bid Item	Bid Item Description	Unit	Unit Price	Estimated Quantity	Extension	Estimated Quantity	Extension	Estimated Quantity	Extension
1	Traffic Routing [6]	-	LS	-	$2,235,000	-	$1,117,500	-	$447,000
2	Asphalt Concrete (Type A ½-Inch Maximum with Medium Grading) [4]	Ton	$75.00	1,103	$82,749	552	$41,374	221	$16,550
3	3 ½-Inch Thick Concrete Sidewalk [3]	SF	$7.00	1,340,064	$9,380,448	670,032	$4,690,224	268,013	$1,876,090
4	6-Inch Concrete Curb	LF	$25.00	2,233,440	$55,836,000	1,116,720	$27,918,000	446,688	$11,167,200
5	6-Inch Concrete Curb with 1-foot Wide Concrete Gutter [2]	LF	$30.00	2,233,440	$67,003,200	1,116,720	$33,501,600	446,688	$13,400,640
6	8-Inch Thick Concrete Base	SF	$8.00	2,233,440	$17,867,520	1,116,720	$8,933,760	446,688	$3,573,504
		Construction			$152,404,917		$78,202,458		$30,480,983
		Planning	3%		$4,572,148		$2,286,074		$914,430
		Design	12%		$18,288,590		$9,144,295		$3,657,718
		Surveys [5]			$1,788,000		$894,000		$715,200
		Construction Management	15%		$22,860,738		$11,430,369		$4,572,140
		Construction Support	5%		$7,620,246		$3,810,123		$1,524,049
		Project Contingency	15%		$31,130,196		$15,565,098		$0,279,679
		Total			**$238,664,834**		**$119,332,417**		**$48,144,207**

Comments and Notes

1) *Per the April 2004 Proposed $200 Million Bond Issue for Street Improvements Report, DPW maintains 846 centerline miles. This converts to 4,466,880 feet of roadway. Assuming curb on both sides of the roadway, there is 8,933,760 feet of curb*

2) *Assume 50% of the curbs in question require a 1ft gutter*

3) *Assume one 3 foot wide flag to be reconstructed along the curbs*

4) *Assume 5 feet of roadway (2 inches of asphalt concrete on 8 inches of concrete base) to be reconstructed along the curbs for drainage and roadway conform.*

5) *Assume it will cost $4,000 per block to survey the existing curb, gutter and roadway elevations. Total number of blocks = Estimated length of curb divided by 2 divided by 500 ft*

6) *Assume it will cost $5,000 per block for traffic routing.*

7) *Three scenarios were estimated depending on the amount of curb to be reconstructed*

8) *Costs are in 2004 dollars*

EXISTING PLANS/PRIORITIZATION METHODS FOR PEDESTRIAN SAFETY IMPROVEMENTS AND COMMENTS ON PROPOSED LEGISLATION

Pedestrian Safety Measure	Existing Plans and Prioritization Methods	Comments
Countdown Pedestrian Signals	Replacements: DPT has virtually completed the conversion of conventional pedestrian signals to pedestrian countdown signals. Crosswalks that have not been converted from conventional pedestrian signals to pedestrian countdown signals are generally narrow (under 30 feet wide). New signals: The DPT Traffic Engineering Division currently prioritizes intersections for new signals based primarily on (1) whether they are designated "school crossings", (2) pedestrian injury record, (3) public requests, (4) likely cost and (5) joint construction project opportunities. The conversion from pedestrian to countdown signals is essentially done.	DPT does not believe it is advisable to require countdown signals at every single signalized crosswalk, as a few are legally closed for safety reasons or are so short or have such low pedestrian use, that it would not be the best investment of scarce transportation funding.
Signal Crossing Times	DPT regularly reviews crossing times and already attempts to provide sufficient time to meet the proposed 2.5 feet per second standard where feasible. Prioritization is based on such factors as (1) public requests (2) pedestrian injury record (3) signal upgrade projects and (4) feasibility, considering costs and level of service impacts	DPT notes that reducing signal crossing times to 2.5 feet per second could potentially be considered a significant adverse impact under the CA Environmental Quality Act and SF environmental review guidelines, due to traffic level of service impacts. The proposed pedestrian speeds are at the lower limit of the recommended range for persons with disabilities. Three feet per second is the standard proposed by some standard-setting government agencies. The proposed ordinance language is open to broad interpretation regarding a "safe median refuge" required when it is not feasible or desirable to provide 2.5 feet per second across wide arterial streets. There are numerous locations where an existing 4-foot-or-wider raised median island extends to or near the crosswalk, but not into the crosswalk. Typically there is no ramp up to the island, and the island itself is not easily accessible to those with mobility impairments, strollers, etc. The DPW Accessibility Coordinator indicated that, in his opinion, an accessible safe refuge area would need to be 9 feet wide, to allow for detectable warning strips (truncated dome strips) on each side. In some locations, major reconfiguration of the intersection (parking or traffic lane elimination) would be needed to achieve this standard.
Ladder Striped Crosswalks	With very rare exceptions, DPT has only been installing the ladder striping at designated school crossings. In addition, mid-block crosswalks receive white ladder crosswalks. DPT has installed ladder crosswalks at a few non-school/non-midblock locations, including Potrero Avenue near SF General Hospital, on Marina Boulevard, and at the intersection of Sunnydale and Hahn	DPT intends to evaluate the effectiveness of all ladder crosswalks before investing in further expansion. Two national studies suggested that the type of crosswalk marking does not make a statistically significant difference in pedestrian injuries at uncontrolled crosswalks

Pedestrian Safety Signs	There are about 220 pedestrian safety signs (sidewalk usage signs) currently in San Francisco. concentrated in commercial corridors. There is no systematic program for prioritizing or installing signs. Installation has been on a case-by-case basis, however DPT believes it is likely that it will receive funding for 50+ signs, to be installed as part of a systematic campaign including education/outreach elements.	DPT believes such signs would be effective only in tandem with enforcement and education/outreach activities. DPT is ready to participate in such efforts with public and community organizations, and a grant application for such an effort is being considered by the Metropolitan Transportation Commission..
Curb Ramps	Ramps are prioritized in accordance with ADA stipulated priorities, DPW conditions priorities for existing curb ramps, and in conjunction with the Mayor's Office of Disability. All funds for pedestrian safety are for curb ramps. Also, ramp replacements/additions are done in conjunction with other work being done, such as pavement project when they are necessary. DPW is currently in the process of updating its ADA-mandated citywide Curb Ramp Self-Evaluation survey and Curb Ramp Transition Plan. DPW has requested funds in the amount of $1,400,000 to perform a citywide sidewalk conditions survey to further meet its obligations under the ADA. Additional funds will be needed to correct sidewalks identified as deficient. DPW is about to embark on the first Prop. K Sales Tax funded Curb Ramp project that will include priority locations identified by DPW and the project's co-sponsor MUNI.	
Corner Curb Bulb Outs	Curb bulb-out locations are prioritized based on such factors as: (1) number and pattern of pedestrian injuries, (2) cost and physical feasibility (eg, considering utility relocations, curb lane use), (3) crossing distance, (4) opportunities for joint construction projects, (5) constraints such as construction moratorium, (6) Muni needs and concerns. While curb bulb outs are typically constructed by DPW, they are done so under programs managed by DPT. DPT is requesting Prop. K funding for curb bulbs from two funding categories. From the Pedestrian Circulation & Safety category, DPT proposed $973,000 be allocated over a five-year period for curb bulb-outs at PedSafe intersections (in areas or corridors previously identified as having higher levels of pedestrian injuries). Geary Boulevard and portions of Mission Street are eligible as PedSafe corridors. The preliminary indication from SFCTA is that this will be approved. In addition, DPT initially proposed that the Traffic Calming category include $2.8 million for arterial street bulb-outs over the five-year period. The TA has indicated it is unlikely to approve this level of funding, so this is currently being negotiated.	By not being specific about where bulb outs are to be constructed along Geary, Mission, etc., it implies that they are to be installed at every corner. In some situations, it would not be appropriate to install it at a particular corner if there is a tow-away lane, for example. The legislation does not provide for exemptions.

Curb Heights	Curb height alteration is done by DPW when necessary and in conjunction with other work being done, such as pavement project.	Replacing sunken curbs with raised curbs will also require the adjacent sidewalk area to be raised to meet accessibility criteria such as clear width, cross-slope and vertical offsets due to tree roots, subsidence, etc. DPW advises that a 4-inch minimum curb height is adequate for detectability by persons with disabilities, as opposed to the 6 to 8 inch minimum required by the proposed ordinance. It is also sometimes necessary to effectively reduce the curb height at street corners in order to fit curb ramps due to other physical constraints.

Pedestrian Safety Projects Included in DPT Proposition K 5-Year Prioritization Program (as of 2/21/05)

Note: The following chart only addresses Proposition K Sales Tax requests, not other funding sources. It only includes physical improvement projects (design through construction), not planning. It is based on the preliminary Draft 5-Year Prioritization Programs. These are currently being revised based on recent sales tax revenue forecasts and negotiations among City departments and with San Francisco County Transportation Authority.

Prop. K Funding Category	Proposed Project	Description	Funding Amount Requested	Schedule (approx. start/end)
Pedestrian Circulation & Safety	1. Uncontrolled Crossing Warning Devices & Associated Improvements	Crosswalk pavement lights and flashing beacons – 7 installations and related improvements	$270,000	2005-2009
	2.A. Median Island Improvements – Initial Program	5 new/rebuilt islands, 50 modified islands, 600 new FYG signs	$223,000 (funds in hand)	Under way, 2005
	2.B. Median Island Improvements – Additional Locations	23 new/rebuilt islands, 40 modified small islands, 15 major median reconstruction projects, related striping.	$680,000	2005-2009
	3. Median Island Accessibility Improvements + ADA Curb Ramp Improvements	ADA curb ramps and median island channels at PedSafe intersections and those to receive accessible (audible) pedestrian signals. PedSafe intersections are located in 7 areas with higher levels of pedestrian injuries.	$264,000	2005-2009
	4A PedSafe Curb Bulbs –Initial Planning/Design	About 4 intersections (2 bulbs each)	$53,000 (funds in hand)	Under way, 2005
	4B. PedSafe Curb Bulbs – Construction	Construction at about 8 intersections (2 bulbs each)	$920,000	2005-2008
	5. Sidewalk Widenings – Local Match	Local match for Federal/State/regional grants for Stockton St. and/or other locations	$170,000	2007-2009
	6. BART Balboa Park Westside Walkway	Requested by BART – accessible, safe walkway to Ocean Ave.	$242,000	2006-2007
	7. Accessible (Audible) Pedestrian Signals – Citywide –	Approximately 16 intersections to complete the pilot installation and evaluation of APS	$160,000	2005-2009
	8. Accessible (Audible) Pedestrian Signals – 3rd St. LRT	Approx. 20 intersections near light rail stations to receive APS	$200,000	2006-2007

	9. Phelan Ave Crosswalk Improvements	In-pavement crosswalk lights, median refuge islands, etc. for 3 mid-block crosswalks	$353,380	2005-2007
	10. Golden Gate Park Improvement	Safety and accessibility improvements per Draft Plan	$180,000	2006-2009
	11. Ladder Crosswalk Maintenance	Restriping existing locations every 7 years	$114,000	2007-2009
	12. Potrero Ave./SF General Hospital	Mid-block crossing and countdown signals (shared with Traffic Calming category)	$50,000	2005-06
	13. FHWA PedSafe Local Match	Required match for installation/evaluation of innovative devices	$131,000	2005-2006
Traffic Calming	Arterial Traffic Calming	Bulbouts, pedestrian signals, speed humps, traffic islands, speed radar signs, flashing beacons for Potrero Ave. , Cesar Chavez St., Valencia St., Tenderloin neighborhood	$3,291,000	2005-2009
Signs and Signals – New	Traffic and Pedestrian Countdown Signals at Unsignalized Locations	About 25 intersections to be determined later based on injury crash pattern, etc.	$5,000,000	2005-2009
Signs and Signals – Maintenance/Upgrade	Pedestrian Countdown Signals at Intersections with Traffic Signals	About 150 intersections to be determined later based on injury crash patterns, etc.	$6,000,000	2005-2009
Advanced Technology & Information Systems (SF Go)	Test of Video Detection of Pedestrians	As part of Geary Blvd. SFGo project	$37,500	2005-2009
Street Trees	Street Trees on O'Farrell & Cesar Chavez Sts.	Street trees as arterial traffic calming project	$225,000 request by DPT to DPW/SFCTA	2005-2009

City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Members: Tom Ammiano, Chris Daly, Sean Elsbernd, Fiona Ma, Jake McGoldrick

Clerk: Gail Johnson

Thursday, March 24, 2005 — 1:00 PM — City Hall, Legislative Chamber, Room 250

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. 050307 **[Budget Updates]**

Supervisor Ammiano

Hearing to consider budget updates from the Mayor, Controller, Budget Analyst, Office of Legislative Analysts and City Departments.

2/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
3/17/05, CONTINUED. Heard in Committee. Speakers: Noelle Simmons, Mayor's Budget Office; Ken Bruce, Budget Analyst's Office.
Continued to March 24, 2005.

2. 050306 **[City's Three-year Budget Projeetion]**

Supervisor Ammiano

Hearing regarding the City's three-year budget projection and respectfully requests the Controller and the Mayor's Budget Director to brief the Budget Committee on this projection.

2/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day Rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯　必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Dr. Carlton B. Goodlett Place and Grove Street.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Adele Destro by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at sotf@sfgov.org

Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Destro or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 17, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: March 24, 2005 Budget and Finance Committee Meeting

Item 1 - File 05-0184

Departments: San Francisco Redevelopment Agency (RA)
Planning Department

Item: Ordinance approving and adopting the Redevelopment Plan for the Transbay Redevelopment Project area; adopting findings pursuant to the California Environmental Quality Act; adopting findings that the Redevelopment Plan and related documents and agreements (including a *Tax Increment Allocation and Sales Proceeds Pledge Agreement* and an *Option Agreement* with the Redevelopment Agency of the City and County of San Francisco and the Transbay Joint Powers Authority) are consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; adopting other findings pursuant to the California Community Redevelopment Law, including findings pursuant to Sections 33445 and 33679; authorizing official acts (including the execution of agreements) in furtherance of this ordinance.

Background: The Transbay Terminal, at First and Mission Street, is currently owned and operated by Caltrans, a State agency. The Transbay Terminal is a bus depot. Caltrans owns approximately 20 acres of vacant property, proximate to the Transbay Terminal, portions of which are currently occupied by existing bus ramps and portions of which were formerly occupied by the Embarcadero Freeway until it was demolished after the 1989 Loma Prieta Earthquake.

According to Mr. Mike Grisso of the Redevelopment Agency (RA), the proposed Transbay Redevelopment Project area exhibits evidence of physical and economic blight. Mr. Grisso advises that the Transbay Terminal is sixty-five years old and is in an advanced state of deterioration. Mr. Grisso states that reports provided by the State Architect have identified significant deficiencies in the terminal that need to be corrected. Mr. Grisso further advises that, a large number of vacant, underutilized, and irregularly shaped parcels, as well as many older buildings with extensive physical deficiencies, characterize the proposed project area. All of these conditions are described in the *Report on the Redevelopment Plan*, which the RA has submitted to the Budget and Finance Committee. A finding of blight is a necessary condition to establish a redevelopment project area.

Attachment I to this report, the Executive Summary of the *Report on the Redevelopment Plan*, prepared by the RA, provides an overview of the background and purpose of the proposed Transbay Redevelopment Project and describes its relationship to the Transbay Terminal and Caltrain Downtown Extension Project (Terminal Project).[1] Mr. Grisso states that the Transbay Redevelopment Project and the Terminal Project are two components of a single project. However, whereas the Transbay Joint Powers Authority (TJPA)[2], is taking the lead in planning,

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[1] The Terminal Project is the proposed extension of the Caltrain commuter rail service from 4th and Townsend Street to a terminus underneath the proposed new Transbay Terminal.

[2] The Transbay Joint Powers Authority (TJPA) was created in April 2001 by the City and County of San Francisco, AC Transit, and the Peninsula Corridor Joint Powers Board. The TJPA was formed to develop, construct, and operate a new transit terminal and related facilities on and adjacent to the existing Transbay Terminal site. The five-member Authority governing board includes one representative each from the Joint Powers Board, AC Transit, the Mayor, MUNI, and the Board of Supervisors.

designing and building the new Terminal Project, the RA is taking the lead in the Transbay Redevelopment Project. The RA is planning and facilitating the development of the vacant property near the terminal, including those State-owned parcels not required for the Terminal Project, and the revitalization of the surrounding area. Mr. Grisso notes that one of the major benefits of the proposed Transbay Redevelopment Project is that it would provide a portion of the funding required for the Terminal Project, which is an approximately $2 billion project that would be a central transit facility, serving Caltrains, MUNI and the bus systems.

Description: The proposed ordinance would:

- Adopt the Redevelopment Plan for the Transbay Redevelopment Project.
- Establish a redevelopment project area of approximately 40 acres, generally bounded by Mission Street to the north, Main Street to the east, Folsom Street to the south, and Second Street to the West, shown on Attachment II, which is a map of the proposed project area, provided by Mr. Grisso.
- Provide a portion of the future funding for the construction of the Terminal Project.
- Approve (1) the *Tax Increment Allocation and Sales Proceeds Agreement* between the City, the RA, and the TJPA, and (2) the *Option Agreement for the Purchase and Sale of Caltrans Property*, between the City, the RA, and the TJPA. Mr. John Cooper of the City Attorney's Office provided a summary of these agreements, and of the previously approved *Cooperative Agreement*, which is Attachment III to this report.
- Make findings that the Redevelopment Plan is consistent with the City's General Plan and the Priority Policies of Section 101.1 of the Planning Code.
- Make environmental findings and other findings required by State Redevelopment law.

Several ordinances (File Nos. 05-0181, 05-0182, and 05-0183), to be considered at the Board of Supervisors Land Use Committee meeting on March 23, 2005 would change the zoning and other land use controls in the proposed project area to conform with

the development proposed in the Transbay Redevelopment Project Plan.

The Redevelopment Plan for the Transbay Redevelopment Project Area: The Redevelopment Plan for the Transbay Redevelopment Project area includes:

(1) An Affordable Housing Program which includes the provision of 3,400 housing units of which approximately 1,200 would be affordable to very low-income and moderate-income households, as defined by the Federal Housing and Urban Development Department (HUD).
(2) The Non-Housing Program which includes: (a) planning, (b) site preparation and development work, (c) infrastructure improvements, (d) streetscape and public open space improvements throughout the Transbay Redevelopment Project Area, and (e) economic development and building rehabilitation assistance to owners of property within the project area.
(3) The enforcement of development controls and design guidelines to ensure that private development within the Transbay Redevelopment Project Area is consistent with the proposed Redevelopment Plan for the Transbay Redevelopment Project.
(4) The obligation of tax increment funding to the Terminal Project.

Redevelopment Plan Affordable Housing Requirement: In accordance with State legislation (AB 812) adopted in July of 2003 specifically for the proposed Transbay Redevelopment Project, the housing program in the proposed Transbay Redevelopment Project Area would provide that 35 percent of all dwelling units developed be affordable housing comprising (a) 25 percent for persons and families whose incomes do not exceed 60 percent of the area median incomes, and (b) 10 percent for persons and families whose incomes do not exceed 120 percent of area median income. Notably, for all other redevelopment projects, State law requires that 15 percent of all housing units

developed be affordable housing units, instead of the 35 percent requirement for this project.

The Transbay Redevelopment Project Area: As previously described, the proposed ordinance would establish a 40 acre Transbay Redevelopment Project Area, generally bounded by Mission Street to the north, Main Street to the east, Folsom Street to the south, and Second Street to the West. Attachment II to this report, prepared by the RA is a map of the proposed project area. The proposed project area includes: (1) approximately 10 acres including the Transbay Terminal and its ramps to the Bay Bridge, (2) approximately 10 acres of 25 vacant State-owned parcels, formerly occupied by the Embarcadero Freeway, (3) approximately 20 acres of privately-owned properties and one RA-owned parcel, and (4) various roadways and sidewalks.

Tax Increment Financing and Tax Increment Allocation: State law allows the RA to utilize tax increment financing for redevelopment projects in legally established project areas.[3] Tax increment financing is a project financing strategy, whereby the RA (1) issues debt (tax allocation bonds), subject to Board of Supervisors approval, and uses future incremental ad valorem tax revenues (tax increment), primarily property tax revenues, to repay such debt. The subject ordinance would also approve the *Tax Increment Allocation and Sales Proceeds Agreement,* which would pledge tax increment generated on the State-owned parcels to the TJPA, as is described in more detail below.

According to Ms. Edel Antiniw of the Controller's Office, currently approximately $0.67 of each dollar generated in ad valorem tax revenues accrues to the City's General Fund, and the remaining $0.33 accrues to other taxing entities, including

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[3] As is required by State Redevelopment Law (Section 33352), in order to establish a project area for tax increment financing, the RA has prepared a report, *Report on the Redevelopment Plan*, that documents that the proposed project area is blighted, as defined in State Redevelopment Law. According to that report, the area overall meets the State standards for blight and thus is eligible to be a redevelopment project area.

the Community College District, the San Francisco Unified School District, the Bay Area Air Quality Management District, the City's Children's Fund, the Open Space Acquisition Fund, and the Library Preservation Fund. In a RA project area, approximately 80 percent of incremental ad valorem tax revenues generated above the tax revenues generated the year the redevelopment project began (the base year) is potentially available for allocation to the RA for a redevelopment project, subject to budgetary approval by the Board of Supervisors.

Approval of the proposed ordinance would establish the Transbay Redevelopment Project Area, which would (1) authorize tax increment financing to pay for a portion of the Terminal Project, as described below, and other redevelopment activities within the Transbay Redevelopment Project Area to the extent that the RA has incurred and the Board of Supervisors has approved debt for such activities, (2) establish time limits for incurring and repaying tax increment indebtedness, and other forms of debt such as loans or advances for the purpose of executing the project plan, (3) authorize the land use controls outlined in the Transbay Redevelopment Plan, and (4) provide the RA with the power of eminent domain over the project area. Table 1, compiled by the Budget Analyst based on details in the *Report on the Redevelopment Plan*, shows the time limits that the RA would have to exercise their authorities, should the proposed ordinance be approved.

Table 1: Transbay Redevelopment Project Area Time Limits

Power	Time Limit
Issuing Debt	20 years
Repaying Debt	45 years
Eminent Domain	12 years
Redevelopment Plan Duration	30 years

Source: Report on the Redevelopment Plan, Volume 1, pages 1-11, January 2005

As shown in Table 1, the proposed ordinance would authorize the RA to issue and repay tax increment indebteness over a period of up to 20 and 45 years respectively from the date the Board of Supervisors approves the proposed ordinance. State law allows for the 10-year extension to the time limits for issuing debt if significant blight remains. However, such an

extension would require a Transbay Redevelopment Plan Amendment, subject to Board of Supervisors approval.

Tax increments generated in the proposed project area would be approximately allocated as follows:

- For each incremental dollar of ad valorem taxes generated on the State-owned parcels: (a) \$0.60 to the TJPA for the Terminal Project; (b) \$0.20 to the RA for the Affordable Housing Program; and (c) \$0.20 to the other taxing entities, referred to as the "pass-through" (90.02 percent of the \$0.20 to City's General Fund, and the remainder to the other taxing entities).
- For each incremental dollar of ad valorem taxes generated on the non state-owned parcels[4]: (a) \$0.45 to the RA for the Non-Housing Redevelopment Program; (b) \$0.20 to the RA for the Affordable Housing Program; (c) \$0.20 to the other taxing entities, referred to as the "pass-through" (90.02 percent of the \$0.20 to the City's General Fund, and the remainder to the other taxing entities); and (d) \$0.15 to the RA for its administrative costs.

Without Board of Supervisors approval of the proposed Transbay Redevelopment Project Area, additional tax revenues generated from increases in assessed valuation in the subject project area would continue to accrue to the City's General Fund and the other taxing entities, as previously described.

The above described tax increment allocation is governed by State law, and the allocation for the State-owned parcels to the TJPA is governed by the *Cooperative Agreement*, previously approved by the Board of Supervisors on July 8, 2003 (File No. 03-0997) and executed on July 11, 2003. The \$0.20 portion of each \$1 of tax increment dedicated to the other taxing entities, primarily the City's General Fund, is required by State law. As previously stated, the proposed ordinance would approve the establishment of the Transbay Redevelopment Project Area, without which the RA would not have the authority to issue debt and use tax increment revenues to repay such debt.

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[4] According to Mr. Grisso, one of these non state-owned parcels is owned by the Redevelopment Agency, Block 3740, Lot 027 between Main and Spear streets, and the remaining parcels are privately owned.

Estimated Tax Increment Revenue And Uses:

Table 2, compiled by the Budget Analyst based on information contained in the *Report on the Redevelopment Plan,* is the estimated tax increment revenue generated in the proposed project area over 45 years, and the planned uses for such revenue.

Table 2: Estimated Sources and Uses for Estimated Tax Increment Funds

	State-Owned Parcel Tax Increment	Non-State Owned Parcel Tax Increment	Total Proposed Project Area
Pass-Throughs to Other Taxing Entities	$279,044,562	$213,431,672	**$492,476,235**
Tax Increment Obligation to the TJPA for the Terminal Project	776,302,417		**776,302,417**
RA Non-Housing Redevelopment Program		450,130,034	**450,130,034**
RA Administration		150,043,345	**150,043,345**
RA Affordable Housing Program	263,836,745	203,401,263	**467,238,008**
Total	**$1,319,183,724**	**$1,017,006,314**	**$2,336,190,038**

Source: Report on the Redevelopment Plan, Volume 2, Appendix E, Tables A-1B, B-1 and C-1, January 2005.

Mr. Grisso explains that additional detail on the proposed uses of tax increment is provided in the *Report on the Redevelopment Plan.* According to Mr. Grisso, for the purposes of plan adoption, program costs are generally presented as an overall estimate, rather than a projections of annual costs over the 30-year life of the Redevelopment Plan. Mr. Grisso further advises that should the Board of Supervisor approve the subject ordinance, and adopt the Transbay Redevelopment Plan, the RA will prepare annual budgets for review and approval by the Board of Supervisors, and will also prepare implementation plans every five years, which will include detailed budgets for the above listed elements of the proposed Transbay Redevelopment Project. Mr. Donnell Choy of the City Attorney's Office advises that these implementation plans are subject to Board of Supervisor budgetary approval.

State-owned Parcels:

According to Mr. Grisso, Caltrans has agreed that the State-owned parcels not required for the Terminal Project can be sold to private or non-profit developers for development consistent with the Transbay Redevelopment Plan. The sale of these parcels is governed by the *Cooperative Agreement,* previously

approved by the Board of Supervisors on July 8, 2003 (File No. 03-0997) and executed on July 11, 2003, and the *Option Agreement for the Purchase and Sale of Caltrans Property*, which the proposed ordinance would approve.

The Cooperative Agreement between Caltrans, the City and the TJPA, authorizes the transfer of 13 State-owned parcels, at no cost, from Caltrans to the City, and 12 State-owned parcels, at no cost, from Caltrans to the TJPA. Attachment IV, provided by Mr. Grisso, shows the parcels that will be transferred to the City and those that will be transferred to the TJPA. According to Mr. Cooper, Caltrans is transferring 13 parcels to the City and 12 parcels to the TJPA because it determined that State law limits transfers of parcels that the State purchased with Gas Tax revenues to cities and counties (the 13 City Transfer Parcels), and allows parcels purchased with bridge toll revenues to be transferred to other local agencies, such as the TJPA (the 12 TJPA Transfer Parcels). Mr. Cooper advises that Caltrans is transferring these parcels at no cost in order to provide financing for the Terminal Project.

Additionally, the *Cooperative Agreement* states that all sale proceeds from future sales to private or non-profit developers of the State-owned parcels must be dedicated to the TJPA for the Terminal Project. Further, the *Cooperative Agreement* states that if the new Transbay Terminal is not rebuilt by approximately 2017[5], Caltrans could exercise its power of termination for the 13 State-owned parcels transferred to the City and the 12 State-owned parcels transferred to the TJPA, and subsequently transferred to the RA. According to Mr. Cooper, this power of termination authorizes Caltrans to take back the transferred parcels if they are not yet sold, or to take any sale proceeds from the TJPA if sales have already been completed. Mr. Cooper states that the State will remove its power of termination over a parcel when it is sold for fair market values and the proceeds are provided to the TJPA for the Terminal Project.

[5] According to Mr. Cooper, the Terminal must be completed eight years after Caltrans relinquishes the easements it holds over all the State-owned parcels, which will be determined by completion of the West Approach Project for the Bay Bridge, or approximately 2017.

The Option Agreement for the Purchase and Sale of Caltrans Property between the City, the RA and the TJPA, which the proposed ordinance would approve, provides the RA the exclusive and irrevocable right to purchase from the City and the TJPA, at no cost, those State-owned parcels in the Project Area that are not required for the Transbay Terminal Project, and which were previously transferred from Caltrans to the City and to the TJPA, in accordance with the *Cooperative Agreement*. The *Option Agreement for the Purchase and Sale of Caltrans Property* would govern the sale and development of these State-owned parcels as follows:

- After exercising the right to purchase, the RA would sell these parcels to a private developers or enter into a long-term ground lease with nonprofit developers, for development that is consistent with the Transbay Redevelopment Plan.
- The State will remove its power of termination only if the parcels are sold for fair market value.
- All (1) gross sales proceeds and (2) net tax increment[6] generated by the State-owned parcels would be allocated from the RA to the TJPA for the Terminal Project.

According to Mr. Grisso, this two-part property transfer, (1) from Caltrans to the TJPA and to the City, and (2) from the TJPA and the City to the RA, and the eventual sale of these parcels by the RA to private or nonprofit developers, is beneficial because it meets the State law requirement that parcels that the State purchased with Gas Tax revenues can only be transferred to Cities and Counties, allows the RA to improve the value of these parcels prior to sale (see *State-Owned Parcels* section below), and allows the RA to impose affordability restrictions on those parcels to be developed for residential purposes.

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[6] The **Net Tax Increment** is defined by State Redevelopment Law as the property tax increment revenues attributable to the State-owned parcels, excluding the following: (1) reimbursement for County of San Francisco administrative charges, fees or costs (from DTIS, and allowable from the Controller's Office, however the current practice is that the Controller does not charge), (2) 20 percent required to be setaside for the RA to provide affordable housing, (3) approximately 25 percent pass-through payment that the RA is required by State law to provide to the City's General Fund, and other taxing entities, after deducting the affordable housing allocation, and (4) the portion of revenues equal to the percent that the State may mandate the RA to pay in the future, for example the Education Revenue Augmentation Fund (ERAF) payment for schools.

State-owned Parcels: Current and Potential Value: According to Mr. Grisso, the RA plans to begin selling the former State-owned parcels to private developers in FY 2010-2011, because most of the State-owned parcels are not available for sale until 2009 or later since Caltrans is using them to stage the construction of West Approach Project for the Bay Bridge, and thereafter, some of the parcels will be used by the TJPA for a temporary Transbay terminal site. Mr. Grisso anticipates that the RA will sell the last parcel in FY 2017-2018. Mr. Grisso advises that the RA anticipates it will generate a total of $288,000,000 from the sale of these parcels, all of which would be transferred to the TJPA for the Transbay Terminal Project.

However, Mr. Grisso notes that the current value of the Transfer Parcels is approximately $34,966,000, which is based on an analysis conducted by the Sedway Group, a professional services consultant. Mr. Grisso notes that this estimate of $34,996,000 is $253,000,000 or 723 percent less than what the RA believes it will sell the parcels for between FY 2010-2011 and FY 2017-2018. Mr. Grisso advises that the increase in the value of these State-owned parcels would primarily result from the fact that more parcels would be made available if the Terminal Project is completed and the East Loop Ramp is demolished, as is provided for in the Transbay Redevelopment Plan. In addition, the Transbay Redevelopment Plan includes rezoning the parcels to allow for private development, increases to heights and desntities, environmental clearance for the proposed development, public improvements, public improvement in the proposed project area, and a reconfiguration and assemblage of the State-owned parcels, all of which will add significant value to these parcels (see Comment No. 3).

According to Mr. Choy, the sale of the transferred State-owned parcels by the RA to private developers would not require Board of Supervisors approval because only properties that the RA purchases with tax increment dollars require approval by the Board of Supervisors for sale under State Redevelopment law (see Comment No. 1). Mr. Choy notes that no tax increment dollars are being used to acquire the State-owned parcels.

Fiscal Impact: As previously explained, the Transbay Redevelopment Project will be financed by the RA issuing debt, subject to Board of Supervisors approval, and using tax increment revenues to repay such debt. In addition, tax increment revenue will be used to fund administration costs of the RA. The Terminal Project will also be financed using tax increment revenue generated on the State-owned parcels, which the *Tax Increment Allocation and Sales Proceeds Agreement* would pledge. Because Caltrans is not required to, and pays no taxes on these State-owned parcels, the future tax increments generated on these parcels would be all of the tax revenues, less the passthrough to the City's General Fund and other taxing entities required by State law. This section explains the fiscal impact to the City of approving the Transbay Redevelopment Project in terms of the loss of tax revenues to the City's General Fund and the other taxing entities.

According to Ms. Antiniw, the assessed value of secured and unsecured property in the proposed project area is $880,853,389, of which $770,731,043 is the assessed value of secured property and $110,122,346 is the assessed value of personal unsecured property. The current ad valorem tax paid from the proposed project area is $8,808,534 of which $7,707,310 is from property taxes and $1,101,234 is from personal property taxes and other ad valorem taxes.

<u>RA Estimate of Fiscal Impact:</u> Attachment V, provided by Mr. Mario Menchini of the Redevelopment Agency, and based on data prepared by the RA's consultant, is an estimate of the increase in the assessed value and the corresponding tax revenue that the City and the other taxing entities would receive over 45 years if the proposed Transbay Redevleopment Project Area was not approved. Notably, this estimate assumes the following:

- A 2 percent annual increase in the assessed valuation of secured property, which would mean that in 45 years there would be no private development or property sales.
- No tax generation from the State-owned parcels, which would mean that Caltrans would retain ownership of these parcels for 45 years, or transfer or sell them to another entity that is not required to pay property taxes.

- No change in the assessed value of unsecured personal property for 45 years.

Mr. Menchini advises that the estimate includes the assumption that Caltrans would not sell its parcels for 45 years because any other assumption is speculative since there is no evidence that Caltrans would be willing to sell the State-owned lands to private developers if the Cooperative Agreement were to terminate or if the Terminal Project is not built. Mr. Menchini further advises that the 2 percent annual increase in the assessed value of secured property was used because 2 percent is the Proposition 13 required annual increase in assessed value, and that any assumption above 2 percent would also be speculative. Finally, Mr. Menchini advises that the RA cannot predict changes to the assessed value of unsecured personal property, which is historically volatile and therefore utilized a no change assumption.

Based on the above listed assumptions, Attachment VI, also provided by Mr. Menchini, presents an estimate of the fiscal impact to the City's General Fund and the other taxing entities of the proposed Transbay Redevelopment Project. As shown on Attachment VI, Mr. Menchini estimates that the proposed allocation of tax increments would result in a net benefit to the City's General Fund of $224,026,468 over 45 years, which is $4,978,366 annually, and a net benefit to the other taxing entities of $50,097,311 over 45 years, which is $1,113,274 annually.

However, the Budget Analyst notes that because the RA's estimate was determined using the above listed assumptions, the estimate represents the least possible fiscal impact for the City and the other taxing entities.

<u>Alternative Estimate of Fiscal Impact</u>: The Budget Analyst Office conducted an analysis of the increase in the assessed value of secured property in the proposed Transbay Redevelopment Project Area from 1994 to 2004, or over a ten year period, based on data provided by Mr. Alex Tharayil of the Assessor's Office. The limitation of the existing block and lot identification makes it difficult to analyze assessed value for the exact proposed Transbay Redevelopment Project Area.

However, Mr. Tharayil provided data that includes the majority of the proposed Transbay Redevelopment Project Area, and some immediately adjacent parcels, shown on Attachment VII to this report. Table 3, compiled by the Budget Analyst based on an analysis of data provided by Mr. Tharayil, shows that the average annual increase in assessed value was 8.6 percent over the last 10 years.

Table 3: Change in Assessed Value of Secured Property, 1994 to 2004

Blocks	1994 Value	2004 Value	Change
3717 3721	$ 428,169,081	$ 1,135,637,651	$ 707,468,570
3736 3740	118,793,012	459,943,957	341,150,945
3745 3749	127,474,427	623,428,969	495,954,542
Total	**$ 674,436,520**	**$ 2,219,010,577**	**$1,544,574,057**
		Ten year increase in assessed value	129%
		Annual growth rate	8.6%

Source: Compiled by the Budget Analyst based on data provided by the Assessor's Office.

The Budget Analyst requested that the RA provide an alternative estimate of fiscal impact based on assumptions that are more reflective of the strong private development potential of the area. Accordingly, Mr. Menchini provided Attachment VIII, which is an estimate of fiscal impact to the City's General Fund and the other taxing entities based on the following assumptions:

- That all the private development projected in the Transbay Redevelopment Plan would occur <u>without</u> the proposed Transbay Redevelopment Project, plus an annual 2 percent annual increase in the assessed value of secured property.
- For the State-owned parcels, they would be privately development beginning in year 2022, but that the assessed value of these developments would be 50 percent less than what is assumed for the Transbay Redevelopment Plan.
- No annual increase in the assessed value of unsecured personal property for 45 years.

Based on the above listed assumptions, Attachment VIII, presents an alternative estimate of the fiscal impact to the City's General Fund and the other taxing entities of the proposed Transbay Redevelopment Project. As shown on Attachment VIII, this alternative estimate shows that the proposed allocation of

tax increments would result in a net cost to the City's General Fund of $580,535,322 over 45 years, which is $12,900,785 annually, and a net cost to the other taxing entities of $39,099,830 over 45 years, which is $868,885 annually.

In the professional opinion of the Budget Analyst, this alternative analysis provides a better estimate of fiscal impact than does the RA's initial estimate of fiscal impact described above. Notably, however, this estimate represents the amount of tax increment potentially available to the RA and the TJPA for the Terminal Project, subject to budgetary approval by the Board of Supervisors.

Estimated Sources And Uses for the Terminal Project:

Attachment IX, Appendix E in the *Report on the Redevelopment Plan,* describes that the total estimated cost of the Terminal Project is $2,082,900,000, in "Year of Expenditure (YOE) dollars, which Ms. Nancy Whelan, a consultant for the TJPA, states is nominal dollars compounded by forecasted inflation rates to calculate what the future project costs are likely to be in the year that expenditures for construction activities will occur. Notably, of this $2,082,900,000, only $1,675,300,000 or 80.4 percent has been secured, according to the *Report on the Redevelopment Plan*. Attachment IX, lists the dedicated local, regional and state funding, which includes the tax increment allocation and land sales revenues, totaling $1,675,300,000.[7]

According to Ms. Whelan, an additional $407,600,000 ($2,082,900,000 less $1,675,300,000) is required to fully fund the capital cost of the Terminal Project. Ms. Whelan advises that due to lack of availability of funds, the TJPA has decided to utilize a construction loan. Ms. Whelan advises that the TJPA has determined that $1,526,100,000 would be required to meet the future cash flow needs of the Terminal Project construction costs and loan repayment schedule. Table 4 lists the planned sources of revenues for this yet to be secured $1,526,100,000.

[7] Attachment VIII shows that $534,200,000 will be generated from tax increment revenues, whereas the RA estimates that $776,302,417 will be generated. This discrepency is because Attachment VIII is based on a 30-year projection and the RA estimate is based on a 45 year projection.

Table 4: Planned Sources of Unsecured Revenues

Source	Requirement	Estimated Revenues
High Speed Rail Bond	Approval of 60 percent of California voters, statewide ballot measure planned for November 2006	$475,000,000
Station Access Fee to be Charged to Terminal Users	(1) Approval of Transit Operator Governing Boards and (2) adequate ridership	873,000,000
Other Revenues to Be Determined		178,100,000
	Total Unsecured Revenues	$1,526,100,000

Source: Report on the Redevelopment Plan, Volume 2, Appendix D of the Transbay Redevelopment Project, prepared by the RA, January 2005.

As shown in Table 4 the TJPA faces $1,526,100,000 of unsecured funding for its estimate of costs for construction and loan repayment needs for the Transbay Terminal Project. Notably, the identified sources listed above require approval which is not within the control of the TJPA, particularly, statewide voter approval in November of 2006 for the High Speed Rail Bond. Additionally, for $178,100,000 of unsecured revenue, potential sources have not yet been determined.

Contingency for the Redevelopment Project if the Terminal Project Cannot be Completed:

As previously described, the proposed ordinance would authorize the execution of the RA's Transbay Redevelopment Project, not the TJPA's Terminal Project. If the Terminal Project cannot be built due to funding deficiencies or other reasons, according to Mr. Grisso, one of the major goals of the Transbay Redevelopment Project would not be accomplished. However, (1) the zoning established by the proposed Transbay Redevelopment Plan, (2) the RA's ability to issue and repay debt using tax increment financing, and (3) land use controls would still be in place. Mr. Grisso advises that, if the Terminal Project cannot be built, there would clearly be a need to amend the Transbay Redevelopment Plan, or adopt an entirely new redevelopment

plan, both of which would require Board of Supervisors approval.

As previously noted, the *Cooperative Agreement* between the City, the TJPA, and Caltrans states that if the Transbay Terminal is not rebuilt by approximately 2017, Caltrans could exercise their power of termination for all of the transfer parcels. The previously approved *Cooperative Agreement* and the proposed *Tax Increment Allocation and Sales Proceeds Agreement* do not include a specified contingency for the City or the RA regarding (1) the allocation of tax increment dedicated to the Terminal or (2) land use and project modification decisions in the event that the Transbay Terminal cannot be rebuilt (see Comment No. 4) .

Mr. Cooper advises that in such an event that the Transbay Terminal cannot be rebuilt (1) Caltrans would determine what to do with the parcels and the Transbay Terminal, and (2) if the TJPA dissolved, then, after closing out its own debts, the TJPA would return any remaining tax increment allocation for the Terminal to the City and the RA. According to Mr. Cooper, tax increment revenue allocated to the TJPA for the Terminal Project would then be treated like standard tax increment revenue, such that the RA could only claim these revenues to the extent that it had incurred debt, as approved by the Board of Supervisors.

Comments:

Property Sales

1. As previously described, the sale of the transferred State-owned parcels from the RA to private or nonprofit developers would not require Board of Supervisors approval because only properties that the RA purchases with tax increment dollars require approval by the Board of Supervisors for sale. Should the Board of Supervisors wish to have approval authority of these future sale agreements, the Board of Supervisors should recommend that the City, the RA and the TJPA amended the *Option Agreement* to provide for such approval authority.

Risks to the Project

2. The Terminal Project is not yet fully funded. The TJPA has currently estimated $1,526,100,000 of unsecured funding for its construction costs and loan repayment costs for the Transbay

Terminal Project. Further, the Budget Analyst notes that the potential funding sources identified by the TJPA are not within the control of the TJPA. In particular, the TJPA will require statewide voter approval in November of 2006 for the High Speed Rail Bond. No potential sources have yet been determined for $178,100,000.

3. Additionally, the estimated revenues of $288,000,000 from future land sales of the State-owned parcels to fund the Terminal Project is based on an assumption of increased value of 723 percent from the current estimated value of $35,000,000. Since the current estimated value of approximately $35,000,000 is based on an analysis conduced by the Sedway Group/CB Richard Ellis, a professional real estate services consultant, rather than a formal appraisal, the Budget Analyst notes that the current estimated value is therefore speculative. However, Mr. Grisso advises that the value determined in a formal appraisal would invitably be speculative because the parcels are not currently zoned for private development.

4. As previously described, the *Cooperative Agreement* and the proposed *Tax Increment Allocation and Sales Proceeds Agreement* do not include a specified contingency for the City or the RA regarding (1) the allocation of tax increment revenue dedicated to the Transbay Terminal, or (2) land use and project modification decisions in the event that the Terminal Project cannot be rebuilt. The proposed *Tax Increment Allocation and Sales Proceed Agreement* pledges tax increment revenue generated on the State-owned parcels to the TJPA for the Terminal Project. According to Mr. Choy, in order to provide a contingency in the event that the Terminal Project is not built, the Board of Supervisors could request that the City, the RA, and the TJPA amend the *Tax Increment Allocation and Sales Proceed Agreement* to specify that in the event that (1) the *Cooperative Agreement* is terminated, and (2) the TJPA makes the determination that it cannot rebuild the Transbay Terminal, then the *Tax Increment Allocation and Sales Proceed Agreement* would terminate.

This would be an important provision because it would ensure that tax increment revenues from the former State-owned parcels of up to $776,302,417 would revert back to the RA and

the City in the event that the Transbay Terminal Project does not proceed.

Costs and Benefits

5. As previously described, without Board of Supervisors approval of the proposed Transbay Project Area, additional tax revenues generated from increases in assessed valuation in the proposed project area would continue to accrue in full to the City's General Fund and the other taxing entities. The change in property valuation in this general area in the last 10 years indicates that the potential for private development in the area is strong. However, the private development of the subject blighted area is very unlikely to guarantee redevelopment of the Transbay Terminal, given its estimated cost of over $2.0 billion, without some amount of additional public sector financial support.

Policy Options For Consideration:

1. In accordance with Comment No. 1, should the Board of Supervisors wish to have approval authority of these future sale agreements, the Board of Supervisors should recommend that the City, the RA and the TJPA amend the *Option Agreement* to provide for such approval authority.

2. In accordance with Comment No. 4, should the Board of Supervisors wish to provide for a contingency for the tax increment revenue dedicated to the TJPA in the event that the Terminal Project is not built, the Board of Supervisors should request that the City, the RA, and the TJPA amend the *Tax Increment Allocation and Sales Proceed Agreement* to specify that in the event that (1) the *Cooperative Agreement* is terminated, and (2) the TJPA makes the determination that it cannot rebuild the Transbay Terminal, then the *Tax Increment Allocation and Sales Proceed Agreement* would terminate.

3. Approval of the proposed ordinance, is a policy matter for the Board of Supervisors as follows:

Approval of the proposed ordinance would mean that the Board of Supervisors agrees with forgoing an estimated $580,535,322 in property tax revenue over 45 years in exchange for the Transbay Redevelopment Project. This project will generate additional sales and payroll tax

revenue, 1,200 new units of affordable housing, planned open space, and should result in a new Transbay Terminal so long as currently unfunded portions of the project are, in fact, funded and future project costs do not escalate unexpectedly.

Disapproval of the proposed ordinance would mean that the Board of Supervisors disagrees with the specific provisions of the proposed Transbay Redevelopment Project.

Executive Summary of the Report on the Redevelopment Plan

Transbay Redevelopment Project

This Executive Summary provides a synopsis of the Report on the Redevelopment Plan for the proposed Transbay Redevelopment Project. Pursuant to the California Community Redevelopment Law (CRL), a redevelopment plan must be accompanied by a report to the legislative body. The report must present the reasons for selecting the project area, physical and economic conditions within the project area, proposed redevelopment projects and activities, proposed methods of financing, tax increment revenue projections, and financial feasibility. It also must document the agency's adherence to the legal requirements for the redevelopment plan adoption.

The San Francisco Redevelopment Agency and Board of Supervisors will consider adopting the Redevelopment Plan for the Transbay Redevelopment Project Area, a 40-acre site located in Downtown San Francisco including the area roughly bounded by Mission Street on the north, Main Street on the east, Folsom Street on the south and Second Street on the west. The Redevelopment Plan will further several City goals and objectives, including promoting the use of public transit and the creation of new affordable and market rate housing, creating jobs, furthering economic development, supporting San Francisco's role as the region's economic center, providing open space, and generally redeveloping underutilized property to productive use.

The proposed Transbay Redevelopment Project is part of an inter-agency effort to develop a new multimodal transit terminal on the site of the existing Transbay Terminal, extend the Peninsula Corridor (Caltrain) service to the new Transbay Terminal, facilitate the development of publicly owned land near the new terminal, and revitalize the surrounding neighborhood. The Transbay Joint Powers Authority (TJPA), a recently formed entity, is taking the lead in planning, designing and building the new Transbay Terminal and Caltrain Extension. Land sale revenue and tax increment generated by the development of land currently owned by the State of California will help to pay for the new Transbay Terminal and Caltrain Extension Project.

While the TJPA is taking the lead in planning, designing and building the new Transbay Terminal and Caltrain Extension, the Agency will be taking the lead in planning for the development of publicly owned land near the terminal and the revitalization of the surrounding neighborhood. The proposed Project Area will be redeveloped into a revitalized mixed-use, transit-oriented neighborhood. Redevelopment will catalyze the production of almost 3,400 housing units. Of these, up to approximately 1,200 units will be affordable to very low, low, and moderate income households.

Physical and Economic Conditions in the Project Area

The Project Area suffers from adverse physical and economic conditions that need to be addressed if the Project Area is to attain its full economic potential. Existing blighting conditions found in the Project Area include eight of the nine CRL-defined categories of physical and economic blight:

- Buildings in which it is unsafe or unhealthy for persons to live or work, including a substantial number of unreinforced masonry buildings and the Transbay Terminal and its associated ramps.
- Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots, including the presence of old, deteriorated and obsolescent buildings; earthquake hazards and poor soil conditions; lots of inadequate size; the presence of underutilized properties, trash and homeless encampments; and deteriorated and substandard public improvements.
- Adjacent or nearby uses that are incompatible with each other; for example, the bus ramp systems connecting the Transbay Terminal to the Bay Bridge are incompatible with adjoining properties.
- Substandard lots of irregular form or shape and inadequate size for proper usefulness and development that are in multiple ownership, including a large number of former freeway parcels and adjacent small and/or irregularly shaped parcels.
- Impaired investments such as the poor economic performance of retail businesses and the presence of hazardous or toxic materials.
- Economic indicators of distressed buildings or lots, including high commercial vacancies, low commercial lease rates, and underutilized areas and vacant lots.
- Lack of neighborhood-serving commercial facilities.
- High crime rate.

Proposed Projects and Blight Alleviation

The Agency has proposed a Redevelopment Program to alleviate blighting conditions in the Project Area, and to meet the Agency's affordable housing obligation. In addition to providing a significant source of funding for the Transbay Terminal and Caltrain Extension Project, the Agency will undertake many projects and activities to alleviate adverse conditions in the Project Area. The proposed Redevelopment Program includes planning and site preparation and development; public facilities, infrastructure, utilities, and circulation improvements; building rehabilitation, façade improvement and historic preservation of existing structures; economic development; and affordable housing.

The Transbay Redevelopment Project will help catalyze the development of publicly owned parcels in the Project Area. Some of these parcels were the site of a system of elevated freeway structures and ramps that connected the Bay Bridge to downtown and to the Embarcadero Freeway that was damaged in the 1989 Loma Prieta earthquake. The structures were demolished, leaving large tracts of vacant land. These parcels are currently underutilized, with most used as surface parking lots or construction staging. Other parcels have been or are used in connection with the terminal and its ramps and related storage systems but will not be needed after the construction of the new Transbay Terminal and its related structures. The Agency is taking the lead in planning the redevelopment of these parcels, which will help alleviate blighting conditions in the area and assist with the financing of the Transbay Terminal and Caltrain Extension Project. The parcels to be redeveloped are currently owned by the State of California. Caltrans is in the process of transferring them to the City of San Francisco and the TJPA.

Need for Tax Increment Financing

The blighting conditions in the Project Area are substantial, and a significant amount of capital investment is needed to alleviate them. The Agency's investments in the Transbay Terminal and Caltrain Extension Project and the public infrastructure and facilities in the Project Area are critical catalysts needed to revitalize the Project Area. Tax increment revenues generated from growth in assessed value in the Project Area will be used to finance the Transbay Terminal and Caltrain Extension Project and to provide public facilities, infrastructure and utilities improvements, circulation improvements, building rehabilitation and affordable housing.

Tax Increment Obligation for Transbay Terminal and Caltrain Extension Project

Tax increment financing is a critical funding component for the Transbay Terminal and Caltrain Extension Project. A portion of the tax increment revenues generated through the Transbay Redevelopment Project will be dedicated to the Transbay Terminal and Caltrain Extension Project. As required by the Transbay Transit Terminal Cooperative Agreement signed on July 10, 2003 by the State of California Department of Transportation (Caltrans), the City and the TJPA, the "net tax increment revenues" generated from the State Owned Parcels must be used for costs associated with the construction and design of the new Transbay Terminal and Caltrain Extension Project. The net tax increment revenues generated from the transit-oriented residential and commercial development on these parcels will provide significant funding for the Transbay Terminal and Caltrain Extension Project. In addition to tax increment, redevelopment activities will produce additional revenue for the Transbay Terminal and Caltrain Extension Project through the sale of land currently owned by the state for development in accordance with the Redevelopment Plan. The remainder of the funding for the Transbay Terminal and Caltrain Extension Project will come from federal, state and local sources.

Pass-through Payments to Affected Taxing Entities

Each taxing entity deriving property tax revenue from within the Project Area would be guaranteed pass-through payments—annual payment from the Agency to mitigate any financial burden of the Redevelopment Plan on taxing entities. The CRL specifies formulas for the calculation of pass-through payments to affected taxing entities. Each entity receives a payment in proportion to its property tax levy within the Project Area. Three tiers of pass-throughs would be paid to the San Francisco Unified School District. the San Francisco Community College District, the Bay Area Regional Transit (BART) District, and the Bay Area Quality Management District. The City can elect to receive the first tier pass-through, equivalent to its tax levy times 20 percent of tax increment.

Affordable Housing and Housing Set-Aside Funds

The CRL requires that 20 percent of all tax increment revenues generated by a redevelopment agency be used for increasing and/or improving a community's supply of affordable housing. The 20 percent housing set-aside funds would be a significant source of funding available for affordable housing in the Project Area.

In July 2003, the Governor of California signed legislation approving the demolition of the Transbay Terminal, including its associated ramps, for construction of a new terminal. This legislation, Assembly Bill 812, also set minimum affordable housing requirements for any redevelopment plan adopted to finance the demolition of the Transbay Terminal and construction of a new terminal. The law requires that at least 25 percent of all dwelling units developed within the Project Area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 60 percent of the area median income, and that an additional 10 percent of all dwelling units developed within the Project Area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 120 percent of the area median income. The Agency estimates that almost 3,400 new housing units will be built in the Project Area after the adoption of the Redevelopment Plan, and up to approximately 1,200 units will be affordable to very low, low and moderate income households.

Tax Increment Projections

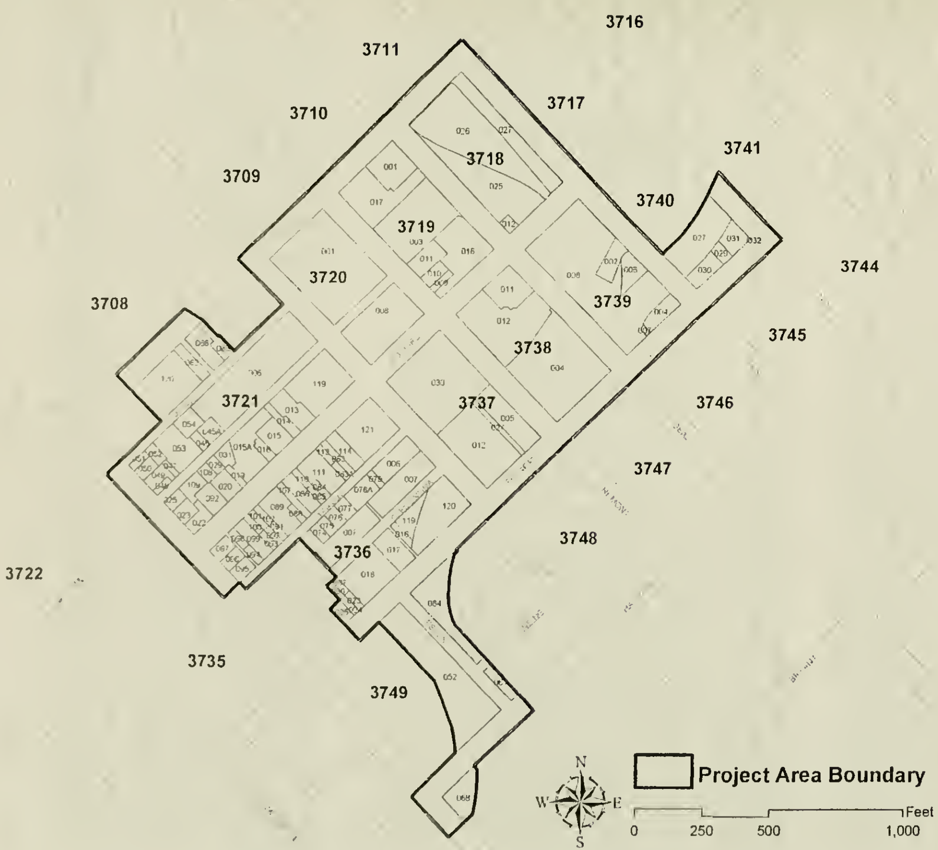
The Project Area is projected to generate $2.3 billion in incremental tax revenues in nominal dollars (approximately $542.7 million in constant FY 2004/05 dollars) over the life of the Redevelopment Plan. After the Agency meets its legal obligations to make payments to affected taxing entities and its obligation for the Transbay Terminal and Caltrain Extension Project, approximately $1.1 billion in nominal dollars (equivalent to $251.5 million in constant FY 2004/05 dollars) will be available to accomplish the Agency's Redevelopment Program (both the Affordable Housing Program and the Non-Housing Program).

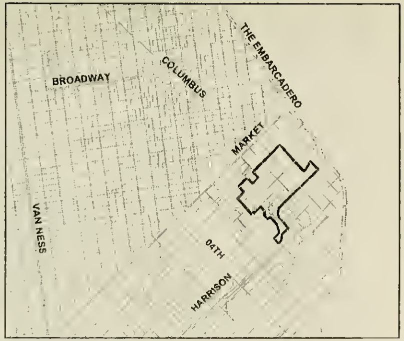
Financial Feasibility

About $251.5 million in FY 2004/05 dollars would be required to complete the Agency's portion of the Affordable Housing Program and the Non-Housing Program. Although the estimated project costs and the revenues will vary over time from those set forth in the estimates and projections presented in this report, it is reasonable to conclude that the Redevelopment Program is financially feasible within the 45-year duration of the Redevelopment Plan. The Agency will adopt an annual budget and an Implementation Plan every five years to assure that the Redevelopment Program is financially feasible throughout the life of the Redevelopment Plan.

Attachment II

Proposed Transbay Terminal Redevelopment Project Area





Transbay In Context to San Francisco

San Francisco
Redevelopment Agency
Planning Division
June 2003

Attachment III

- *The Cooperative Agreement* between Caltrans, the City and the TJPA, previously approved by the Board of Supervisors on July 8, 2003 and executed by the Mayor on July 11, 2003 (Resolution 441-03, File No 03-0997). This Cooperative Agreement was executed and effective on the same day, July 11, 2003.
- *The Tax Increment Allocation and Sales Proceeds Pledge Agreement* between the City, the Agency, and the TJPA, which the proposed ordinance would approve, and
- *The Option Agreement for the Purchase and Sale of Real Property* between the City, the AGENCY and the TJPA, which the proposed ordinance would also approve.

The Cooperative Agreement: This Agreement, executed on July 11, 2003, as previously approved by the Board of Supervisors, between Caltrans, the City and theTJPA, authorizes the transfer **13** State-owned parcels, at no cost, from Caltrans to the City, and **12** State-owned parcels, at no cost, from Caltrans to the TJPA. Caltrans determined that State law limits transfers of parcels which the State purchased with Gas Tax revenues to cities and counties (the City Transfer Parcels), and allows parcels purchased with bridge toll revenues to be transferred to other local agencies such as the TJPA (the TJPA Transfer Parcels). The Agency is not a party to the Cooperative Agreement.

The Cooperative Agreement specifies that all Net Tax Increment, as defined below, generated from the development of the State-owned parcels must be provided to the TJPA for the costs of the Terminal Project.

The term **Net Tax Increment** means all property tax increment revenues attributable to the State-Owned Parcels, but specifically excluding therefrom the following: (i) charges for County administrative charges, fees, or costs; (ii) the portion of the tax increment revenues that Agency is required by law to set-aside in Agency's Affordable Housing Fund, pursuant to the Community Redevelopment Law; (iii) a portion of the tax increment revenues equal to the percentage of such revenue that Agency is required to pay to all governmental entities as required by the Community Redevelopment Law; (iv) the portion of the tax increment revenues equal to the percentage of such revenues that the State may mandate Agency to pay from time to time in the future, including, for example, any payments which Agency may be required to pay to the Education Revenue Augmentation Fund pursuant to Section 33681 *et seq.* of the Community Redevelopment Law.

Additionally, the Cooperative Agreement states that all proceeds from future sales of the State-Owned Parcels to any third party by the City, TJPA or the Agency must also be dedicated to the Terminal Project. The sales proceeds must be deposited into a trust account accessible only by the TJPA for use on the Transbay Terminal Project. Further, the Cooperative Agreement states that if the Terminal is not rebuilt by approximately 2017, Caltrans may exercise their power of termination for all of the Agency transfer parcels.[1] The power of termination authorizes Caltrans to take back the transfer parcels if

[1] The Terminal must be completed 8 years after Caltrans relinquishes the easements it holds over all the State-owned Parcels. It relinquishes the easements 120 days after it completes the West Approach Project

Source: Deputy City Attorney John Cooper

they are not yet sold, or to take any sale proceeds remaining in the trust account if a sale has already been completed. As soon as the sales proceeds are deposited into the trust account, Caltrans releases its power of termination over the property so that the third-party transferee can take clear title. The Cooperative Agreement requires fair market value for all sales of State-owned Parcels to third-parties.

The Tax Increment and Sales Proceeds Pledge Agreement, between the City, the Agency and the TJPA, which the proposed ordinance would approve, pledges the tax increment attributable to the State-owned Parcels to the TJPA for 45 years. This Agreement incorporates requirements of the Community Redevelopment Law to assure Agency compliance with the Cooperative Agreement provisions regarding the use of tax increment for the Transbay Terminal Project. This is necessary because the Agency is not a party to the Cooperative Agreement. Under the Community Redevelopment Law, the Agency is entitled to tax increment needed to pay Redevelopment Plan debts as shown on a Statement of Indebtedness submitted annually to the City. The pledge of tax increment becomes the Agency debt under this Agreement, and the City and the Agency agree to take the procedural steps necessary (such as submittal and approval of a Statement of Indebtedness) to transfer tax funds from the City to the Agency to pay to the TJPA.

The Option Agreement for the Purchase and Sale of Real Property, between the City, the Agency and the TJPA, which the proposed ordinance would approve, gives the Agency the exclusive and irrevocable right to purchase from the City and the TJPA, at no cost, the State-owned parcels in the Project Area that are not required for the Transbay Terminal Project, called the "Agency Transfer Parcels." Subject to the limitations in the Cooperative Agreement, Caltrans has agreed that these parcels can be sold and developed in accordance with the Redevelopment Plan. The Option Agreement would govern the sale and development of these Agency Transfer Parcels as follows:

- After exercising the right to purchase, the Agency would sell the Agency Transfer Parcels to a third party developer for development that is consistent with the Transbay Redevelopment Plan. The Agency Transfer Parcels will remain subject to the State's power of termination under the Cooperative Agreement unless and until they are sold for fair market value.
- The State will not relinquish its power of termination if the parcels are sold for less than fair market value.
- All gross sales proceeds and net tax increment would be allocated from the Agency to the TJPA for the Terminal Project as provided in the Pledge Agreement.
- If the Agency does not take a City parcel under the Option Agreement that parcel is a "retained parcel." In that case, the parcel is still subject to the obligations of the Cooperative Agreement (deposit of gross sales proceeds into the trust account and the use of tax increment for the Transbay Terminal Project).

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on the Bay Bridge, currently scheduled to finish in 2010. The Cooperative Agreement allows the parties to extend the date for completion of the Terminal.

EXHIBIT MAP

DECEMBER 2002
(REVISION: 4/02/03)

SCALE: NONE

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION
AND HOUSING AGENCY
DEPARTMENT OF TRANSPORTATION
DISTRICT 4

SHEET 1 OF 6

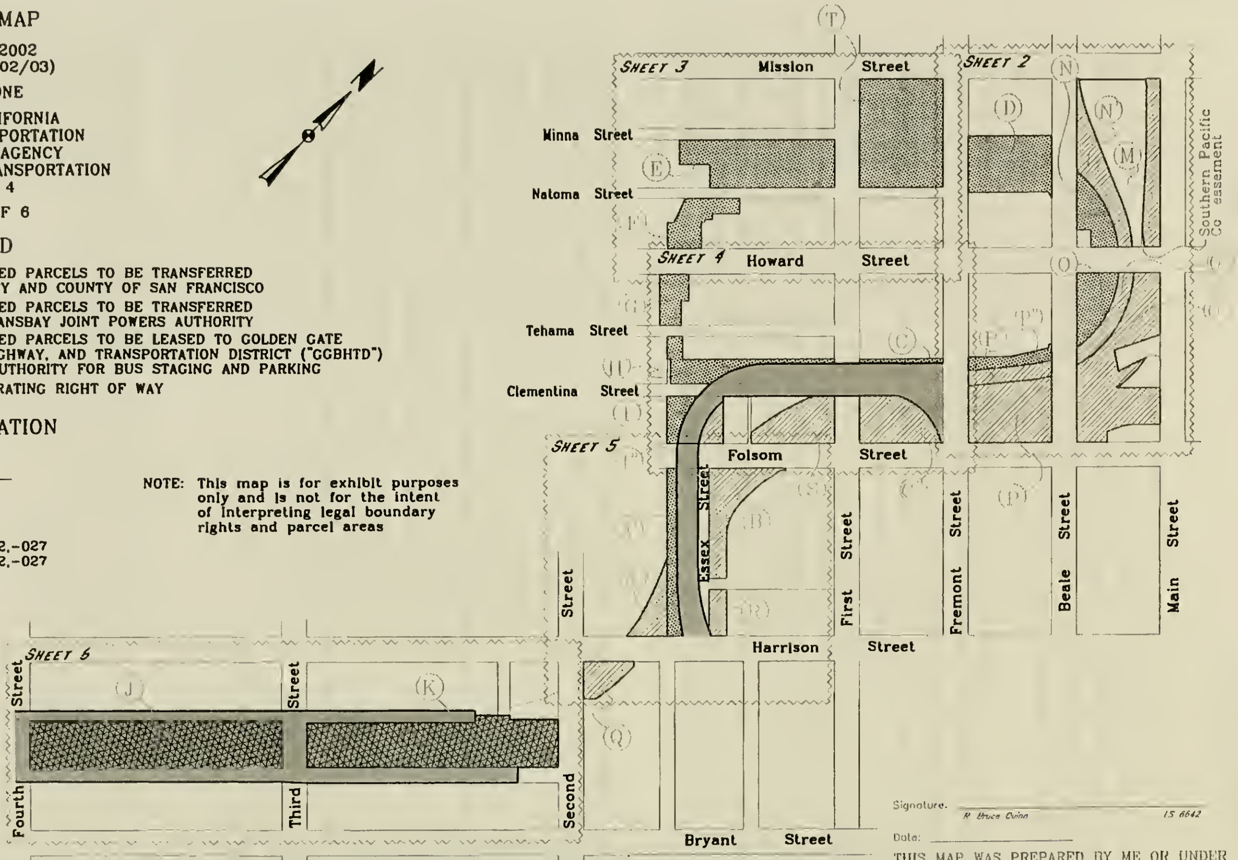
PARCEL LEGEND

- STATE OWNED PARCELS TO BE TRANSFERRED TO THE CITY AND COUNTY OF SAN FRANCISCO
- STATE OWNED PARCELS TO BE TRANSFERRED TO THE TRANSBAY JOINT POWERS AUTHORITY
- STATE OWNED PARCELS TO BE LEASED TO GOLDEN GATE BRIDGE, HIGHWAY, AND TRANSPORTATION DISTRICT ("GGBHTD") AND THE AUTHORITY FOR BUS STAGING AND PARKING
- STATE OPERATING RIGHT OF WAY

PARCEL INFORMATION

PARCEL NO.	APN
A'	3749-052
A"	3749-052
B	3749-064
C	3737-005,-012,-027
C"	3737-005,-012,-027
D	3719-003
E	3721-008
F	3721-015A
G	3738-089
H'	3738-007
I	3738-018
I"	3738-018
J	3782-004
K	3763-112
M	3718-027
N	3718-025
N'	3718-025
O	3739-008
O'	3739-008
O"	3739-008
P	3738-004
P'	3738-004
P"	3738-004
Q	3764-066
R	3749-061
S	3738-120
T	3720-001

NOTE: This map is for exhibit purposes only and is not for the intent of interpreting legal boundary rights and parcel areas



Signature: R Bruce Quinn LS 6642

Date:

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION FROM EXISTING RECORDS IN THE OFFICE OF RIGHT-OF-WAY ENGINEERING.

Proposed Transbay Redevelopment Project

Scenario I: State Parcels Not Sold by Caltrans, A.V. of Non-State Parcels Grow by 2% per Annum.

Number of Years	FY Ended June 30	Assessed Value (AV) Related to Non-State Real Property	Increase in AV Over Base Year Value	Tax Increment Produced by 2.00%
0	2005	$ 770,731,043	<Base Yr A.V.	$
1	2006	786,145,664	15,414,621	154,146
2	2007	801,868,577	31,137,534	311,375
3	2008	817,905,949	47,174,906	471,749
4	2009	834,264,068	63,533,025	635,330
5	2010	850,949,349	80,218,306	802,183
6	2011	867,968,336	97,237,293	972,373
7	2012	885,327,703	114,596,660	1,145,967
8	2013	903,034,257	132,303,214	1,323,032
9	2014	921,094,942	150,363,899	1,503,639
10	2015	939,516,841	168,785,798	1,687,858
11	2016	958,307,178	187,576,135	1,875,761
12	2017	977,473,321	206,742,278	2,067,423
13	2018	997,022,788	226,291,745	2,262,917
14	2019	1,016,963,243	246,232,200	2,462,322
15	2020	1,037,302,508	266,571,465	2,665,715
16	2021	1,058,048,558	287,317,515	2,873,175
17	2022	1,079,209,529	308,478,486	3,084,785
18	2023	1,100,793,720	330,062,677	3,300,627
19	2024	1,122,809,594	352,078,551	3,520,786
20	2025	1,145,265,786	374,534,743	3,745,347
21	2026	1,168,171,102	397,440,059	3,974,401
22	2027	1,191,534,524	420,803,481	4,208,035
23	2028	1,215,365,215	444,634,172	4,446,342
24	2029	1,239,672,519	468,941,476	4,689,415
25	2030	1,264,465,969	493,734,926	4,937,349
26	2031	1,289,755,289	519,024,246	5,190,242
27	2032	1,315,550,394	544,819,351	5,448,194
28	2033	1,341,861,402	571,130,359	5,711,304
29	2034	1,368,698,630	597,967,587	5,979,676
30	2035	1,396,072,603	625,341,560	6,253,416
31	2036	1,423,994,055	653,263,012	6,532,630
32	2037	1,452,473,936	681,742,893	6,817,429
33	2038	1,481,523,415	710,792,372	7,107,924
34	2039	1,511,153,883	740,422,840	7,404,228
35	2040	1,541,376,961	770,645,918	7,706,459
36	2041	1,572,204,500	801,473,457	8,014,735
37	2042	1,603,648,590	832,917,547	8,329,175
38	2043	1,635,721,562	864,990,519	8,649,905
39	2044	1,668,435,993	897,704,950	8,977,050
40	2045	1,701,804,713	931,073,670	9,310,737
41	2046	1,735,840,807	965,109,764	9,651,098
42	2047	1,770,557,623	999,826,580	9,998,266
43	2048	1,805,968,776	1,035,237,733	10,352,377
44	2049	1,842,088,151	1,071,357,108	10,713,571
45	2050	1,878,929,914	1,108,198,871	11,081,989

Nominal or Future Value of Tax Increment: 45 Years	218,352,455
Portion Attributed to General Fund	196,560,880
Portion Attributed to non-city taxing entities	21,791,575

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Measuring the Financial Impact

Scenario I: Plan Adoption Compared to Status Quo

Nominal Future Value Dollar Receipts Over 45 Years	State-Owned Parcels	Non-State Owned Parcels	Total Proposed Project Area
Cumulative Gross Tax Increment Revenues	$ 1,319,183,724	$ 1,017,006,314	$ 2,336,190,038
Less: Pass Through to City General Fund	237,494,371	183,092,977	420,587,348
Pass Through to Other Taxing Agencies (1)	41,550,191	30,338,695	71,888,886
Cumulative Net Tax Increment Revenues Available to TJPA & RA (2)	1,040,139,162	803,574,642	1,843,713,804
Financial Impact on City General Fund:			
Gain in Tax Receipts Associated With Pass-Through Payments	237,494,371	183,092,977	420,587,348
Loss in Tax Receipts (3)	0	(196,560,880)	(196,560,880)
Net Gain (loss) in Tax Receipts to City General Fund	237,494,371	(13,467,903)	224,026,468
Financial Impact on Non-City Taxing Agencies:			
Gain in Tax Receipts Associated With Pass-Through Payments	41,550,191	30,338,695	71,888,886
Loss in Tax Receipts (3)	-	(21,791,575)	(21,791,575)
Net Gain (loss) in Tax Receipts to Non-City Taxing Agenies	41,550,191	8,547,120	50,097,311

(1) SF Community College District, SF Unified School District, Bay Area Air Quality District, & BART.

(2) Net tax increment produced by state-owned parcels available to Transbay Joint Powers Authority.

(3) Reflecting loss related to annual 2% increase in A.V. permitted pursuant to state law.

Source: Report on the Transbay Redevelopment Plan, January 2005; Volume 2, Appendix E, various tables.

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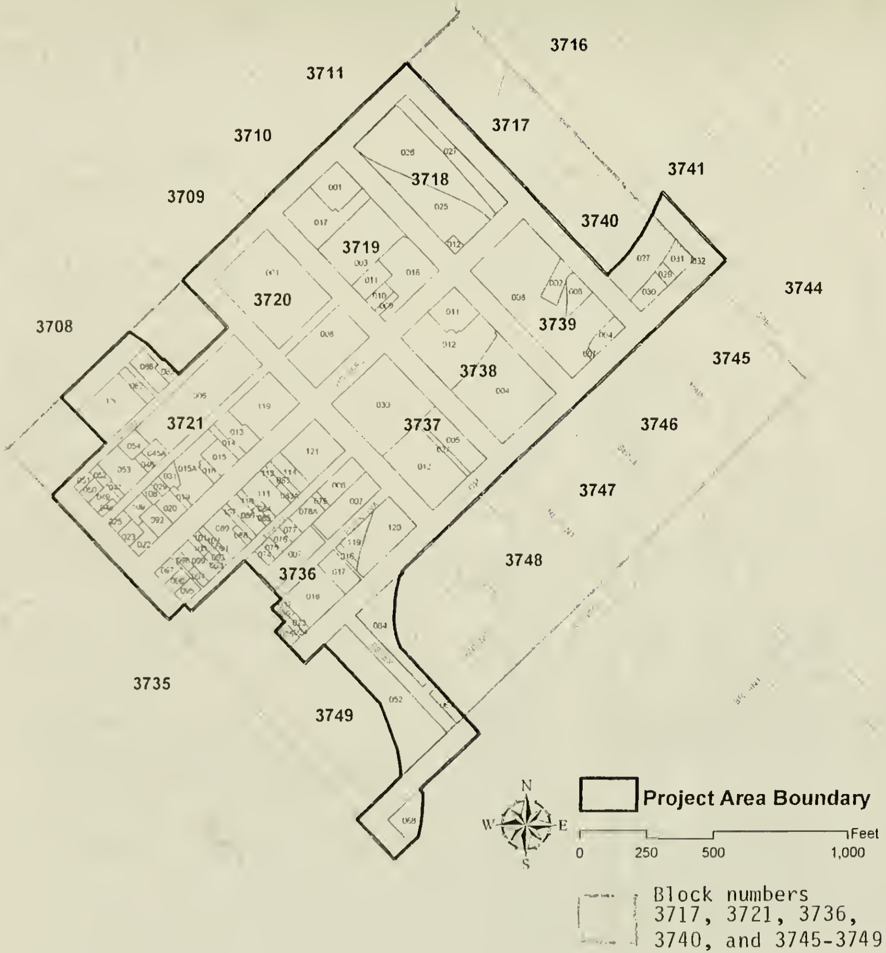
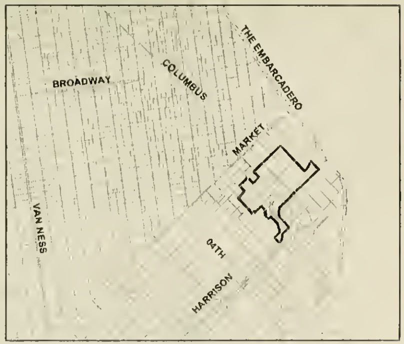
Proposed Transbay Terminal Redevelopment Project Area





Transbay In Context to San Francisco

San Francisco
Redevelopment Agency
Planning Division
June 2003

Measuring the Financial Impact

Scenario II: Plan Adoption Compared to Non-Plan Adoption Alternative

Assumes (1) State and Non-State Parcels Developed Without Adoption of Plan and (2) AV Growth of 2% Per Annum

Nominal Future Value Dollar Receipts Over 45 Years	State-Owned Parcels	Non-State Owned Parcels	Total Proposed Project Area
Cumulative Gross Tax Increment Revenues	$ 1,319,183,724	$ 1,017,006,314	$ 2,336,190,038
Less: Pass Through to City General Fund	237,494,371	183,092,977	420,587,348
Pass Through to Other Taxing Agencies (1)	41,550,191	30,338,695	71,888,886
Cumulative Net Tax Increment Revenues Available to TJPA & RA (2)	1,040,139,162	803,574,642	1,843,713,804
Financial Impact on City General Fund:			
Gain in Tax Receipts Reflecting Pass-Thru Payments With Plan Adpotior	237,494,371	183,092,977	420,587,348
Loss in Tax Receipts Due to 2% Inflation	0	(196,560,880)	(196,560,880)
Loss in Tax Receipts Related to New Development of State Parcels	(294,184,909)		(294,184,909)
Loss in Tax Receipts Related to New Development of Non-State Parcels		(510,376,881)	(510,376,881)
Net Gain (loss) in Tax Receipts to City General Fund	(56,690,538)	(523,844,784)	(580,535,322)
Financial Impact on Non-City Taxing Agencies:			
Gain in Tax Receipts Reflecting Pass-Thru Payments With Plan Adpotior	41,550,191	30,338,695	71,888,886
Loss in Tax Receipts Due to 2% Inflation	-	(21,791,575)	(21,791,575)
Loss in Tax Receipts Related to New Development of State Parcels	(32,614,590)		(32,614,590)
Loss in Tax Receipts Related to New Development of Non-State Parcels		(56,582,551)	(56,582,551)
Net Gain (loss) in Tax Receipts to Non-City Taxing Agenies	8,935,601	(48,035,431)	(39,099,830)

(1) SF Community College District, SF Unified School District, Bay Area Air Quality District, & BART.
(2) Net tax increment produced by state-owned parcels available to Transbay Joint Powers Authority.

Source: Report on the Transbay Redevelopment Plan, January 2005; Volume 2, Appendix E, various tables.

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Attachment IX

Caltrain Downtown Extension/Rebuilt Transbay Terminal

In Millions, YOE$		
PROJECT COSTS		
Capital Costs	$2,082.9	
PROJECT REVENUES		
Committed Revenues		
Local		
SFCTA Prop K	$300.0	Approved by voters in November 2003
Sales Tax (San Mateo Co.)	$29.5	Existing sales tax measure
Tax Increment	$534.2	40 year estimate of ongoing revenue stream; used to repay loan
Net Operating Revenues	$131.0	40 year estimate of ongoing revenue stream; used to repay loan
Regional		
Regional Measure 2 Bridge Tolls	$150.0	Approved by voters in March 2004; from 3rd dollar
Regional Measure 1 Bridge Tolls	$53.0	Committed by MTC in Resolution 3434; from Rail Extension Reserve included in base $1 Bay Bridge toll
Other Bridge Tolls (AB 1171)	$150.0	Committed by MTC in Resolution 3434; from RM-1
State		
Regional Improvement Program (STIP)	$28.7	Committed by MTC In Resolution 3434
Land Sales	$287.9	From Cooperative Agreement between TJPA and State of California
Federal		
FTA Section 1601	$11.0	Existing grant from federal earmark, includes local matching funds
Subtotal, Committed Revenues	***$1,675.3***	
Revenues Requiring Measures to be Voted		
High Speed Rail Bond	$475.0	Planned for November 2006 ballot (tent.)
Other Revenues		
Station Access Fee	$873.0	To be approved by transit operator governing boards; 40 year estimate
Other Revenue to be Determined	$178.1	Sources may include Prop. 42, federal discretionary funds, and local sales taxes
Subtotal, Revenue to be Voted and Other	***$1,526.1***	

If a loan is required, the project will incur interest costs that are not included in the capital cost shown above.

12-Nov-04

Item 2 – File 05-0410

Department: Department of Telecommunications and Information Services (DTIS)

Item: Request for release of $116,462 placed on reserve by the Board of Supervisors in the Department of Telecommunications and Information Services (DTIS) FY 2004-2005 budget, to authorize the continued funding of one 0953 Deputy Director III position from October 1, 2004 through June 30, 2005.

Amount: $116,462

Source of Funds: Work order charges to General Fund and Enterprise departments.

Description: In the DTIS FY 2004-2005 budget, the Board of Supervisors placed a reserve of nine months funding, from October 1, 2004 through June 30, 2005, on the salaries and fringe benefits of a 0953 Deputy Director III position, pending a report back to the Board of Supervisors on the status of the Comcast Cable Franchise Renewal Project negotiations. The annual salary of the 0953 Deputy Director III position is $131,885 and the annual cost of this position, including fringe benefits, is $155,283. The proposed request is to release the entire $116,462 presently on reserve.

At the March 2, 2005 Land Use Committee meeting, Mr. Lewis Loeven of DTIS testified on the status of the Comcast Cable Franchise Renewal Project. According to DTIS, "The purpose of the DTIS Cable Franchise Renewal Project is to develop the record the Board will need in order to determine whether to renew Comcast's cable franchise, and if so on what terms and to negotiate a renewed franchise on behalf of the Board of Supervisors." Attachment I is a memorandum provided by Mr. Brian Roberts of DTIS which contains the DTIS report, as had previously been requested by the Board of Supervisors, pertaining to the Comcast Cable Franchise negotiations. According to Mr. Roberts, preliminary research will be completed by September 2005, at which time the cable franchise negotiations will commence.

According to Mr. Roberts, DTIS plans to negotiate a new Franchise with Comcast and intends to award the City's Cable Franchise by December of 2005. Mr. Roberts further advises that if a new Franchise cannot be awarded by December 31, 2005, when the existing Franchise with Comcast expires, then DTIS plans to have Comcast continue to operate under the terms of its existing Franchise until a new Franchise agreement is executed.

Comments:

1. Of the total reserved funds of $116,462, $12,940, for the month of October, 2004, has already been paid while the 0953 Deputy Director III position was filled. Ms. Monique Zmuda of the Controller's Office advises that, in accordance with both State law and Memorandum of Understanding (MOU) provisions, the Controller is required to pay the salaries and fringe benefits for work performed by City employees occupying City positions, even if the salary funds were reserved.

2. According to Ms. Kathryn Hile of DTIS, the 0953 Deputy Director III position has been vacant since November 1, 2004. According to Ms. Hile, DTIS anticipates filling the vacant 0953 Deputy Director III position by May 1, 2005. The Budget Analyst notes that, based on filling the 0953 Deputy Director III position as of May 1, 2005, a total of three months of the requested reserve will be needed, including the month of October, 2004 for which the funds have already been expended, as noted in Comment No. 1 above, and the months of May and June 2005.

3. As noted above, this request of $116,462 covers a nine-month period from October 1, 2004 to June 30, 2005. Since, as noted in Comment No. 2 above, only three months of funding for the salaries and fringe benefits of the 0953 Deputy Director III position will be needed for the balance of FY 2004-2005, including October, 2004 and May and June of 2005, $38,821 of the requested $116,462 for those three months should be released, and the balance of $77,641 ($116,462 less $38,821) should remain on reserve, to be closed out by the Controller at the end of FY 2004-2005.

Recommendations:

1. In accordance with Comment No. 3, if the Committee is satisfied with the status of the Comcast Cable Franchise Renewal Project negotiations, release $38,821 of the requested $116,462.

2. Request the Controller to keep the balance of $77,641 ($116,462 less $38,821) on reserve, to be closed out at the end of FY 2004-2005.

CITY AND COUNTY OF SAN FRANCISCO

DEPARTMENT OF TELECOMMUNICATIONS & INFORMATION SERVICES

LEWIS W. LOEVEN III
EXECUTIVE DIRECTOR

TELEPHONE: 415.554.0801

CHRIS VEIN
CHIEF ADMINISTRATIVE OFFICER

TELEPHONE: 415.554.5755 FAX: 415.554.4730

Date: March 4, 2005

To: Lewis Loeven DTIS

From: Brian Roberts, Policy Analyst (554-0861)

Subject: Comcast Cable Franchise Renewal Project Status

MEMORANDUM

DTIS Cable Franchise Renewal Project

The purpose of the DTIS Cable Franchise Renewal Project is to develop the record the Board will need in order to determine whether to renew Comcast's cable franchise, and if so on what terms and to negotiate a renewed franchise on behalf of the Board of Supervisors.

Consideration Factors for Franchise Renewal

Section 626 of the Federal Cable Act specifies the factors a franchising authority can consider when determining whether or not to renew a franchise. These four factors are:

- The cable operator has substantially complied with the material terms of the existing franchise and with applicable law
- The quality of the operator's service, including:
  - Signal quality,
  - Response to consumer complaints
  - Billing process
  - But without regard to
    - The mix or quality of cable services or other services provided over the system,

  has been reasonable in light of community needs
- The operator has the financial, legal and technical ability to provide the services, facilities, and equipment as set forth in the operator's proposal and
- The operator's proposal is reasonable to meet the future cable-related community needs and interests, taking into account the cost of meeting such needs and interests

Use of Consultants

DTIS will engage a number of consultants to build the record the Board will need to determine whether to grant a renewed franchise and to negotiate the terms of the franchise. These consultants will include:

1. A Community Needs Assessment (CNA) vendor, this vendor—Telecommunication Management Corporation--has been selected through a competitive process and is working on the assessment.
2. The Technical Compliance (TCA) assessment vendor is currently being selected through a competitive process.
3. Outside Counsel retained by the City Attorney for cable and telecommunications issues—Miller Van Eaton—will be used to negotiate the franchise.

Component	**Responsible Party**
<u>Preliminary Research</u>	
Future Community Needs Assessment	CNA Vendor, DTIS
Technical Compliance Assessment	TCA Vendor
Administrative Compliance Assessment	DTIS
<u>Franchise Negotiation</u>	
Franchise Negotiation	Outside Counsel, City Attorney, DTIS
Community Needs Assessment/Franchise Compliance Report	DTIS, City Attorney & Outside Counsel
Draft Franchise Documents	Outside Counsel & City Attorney

Summary Schedule

The purpose of this memo is to provide a timeline for the renewal process. This timeline will show the status of the project.

Task	Date Complete/Due
Comcast Requests Renewal	April 2003
City Commences Renewal	August 2003
Public Participation and Input	
CNA Plan	1st Qtr 05
Conduct Public Meetings	2nd Qtr 05
Draft Report	Early 3rd Qtr 2005
CNA: Resident Survey	
Technical Assessment	
Secure TA Vendor through RFP	1st Qtr 05
Assessment Conducted	2nd Qtr 05
Informal Negotiations with Comcast	3rd Qtr continuing
Formal Process: Request for Franchise Proposal and Staff Report	4th Qtr 05
Administrative Hearing If Board Denies Franchise	To be determined

Item 3 - File 05-0353

Department: Department of Human Services (DHS)

Item: Ordinance appropriating $285,027 from the General Fund Reserve to pay for the Wages Plus Program's projected shortfall in the FY 2004-2005 budget of the DHS and to provide an additional $0.25 per hour wage increase for qualified childcare providers in the Wages Plus Program, retroactive to January 1, 2005.

Amount: $285,027

Source of Funds: General Fund Reserve

Wages Plus Program Description: According to Ms. Michele Rutherford of DHS, the intent of the Wages Plus Program, a program for childcare providers in San Francisco, is to:

(1) Augment the wages of childcare providers so that childcare providers are paid a living wage;
(2) Create financial incentives for childcare providers to seek professional development and training courses;
(3) Rationalize wages of childcare providers so that wage rates correspond to the level of professional development and training of childcare providers; and,
(4) Create incentives for operators of licensed family childcare homes to provide childcare to low-income children.

FY 2004-2005 Add-back by the Board of Supervisors: The Mayor's recommended FY 2004-2005 budget for DHS included a Wages Plus Program budget of $3,547,790. The Board of Supervisors finally adopted FY 2004-2005 budget included a $248,000 add-back, resulting in a total budget for the Wages Plus Program of $3,795,790. The add-back of $248,000 was allocated to the Department of Children Youth and Families (DCYF), which then workordered the $248,000 to DHS for the Wages Plus Program.

As stated by the Board of Supervisors Budget Committee during the June 2004 budget deliberations, the intent in providing the $248,000 add-back was to fund:

- \$70,000 to address a projected shortfall in the Wages Plus Program, based on DHS' estimates of the cost of the Wages Plus Program in FY 2004-2005; and,

- \$178,000 for an additional \$0.25 per hour wage increase for qualified childcare providers in the Wages Plus Program beginning in January of 2005 through June 2005.

According to Mr. Phil Arnold of DHS, as of the writing of this report, DHS has not expended any of the \$248,000 add-back approved by the Board of Supervisors for the FY 2004-2005 budget for the Wages Plus Program.

February 24, 2005 Budget and Finance Committee Hearing:

On February 24, 2005, the Budget and Finance Committee held a hearing regarding the financial status of the Wages Plus and Childcare for Foster Parents Programs (File 05-0190). The Budget Analyst's report for that hearing included the following information:

- As shown in Attachment I, provided by Ms. Rutherford, the total actual projected expenditures for the Wages Plus Program in FY 2004-2005 is \$3,902,817, which is \$107,027 more than the final budget adopted by the Board of Supervisors of \$3,795,790 for the Wages Plus Program.

- According to Ms. Rutherford, the projected shortfall of \$107,027 in the Wages Plus Program for FY 2004-2005 has resulted because, in addition to various unforeseen expenditures, more childcare providers than originally estimated qualified for incentive wage increases. Ms. Rutherford stated that due to the \$107,027 shortfall, the DHS was unable to provide the \$0.25 per hour wage increase for qualified childcare providers beginning in January of 2005.

- At the February 24, 2005 meeting of the Budget and Finance Committee, Mr. Arnold advised the Committee that the DHS had not yet determined precisely how it would resolve the projected FY 2004-

2005 $107,027 budgetary shortfall in the Wages Plus Program, but stated that DHS would find revenues or reduce other DHS expenditures to cover the projected shortfall of $107,027.

- Mr. Arnold further advised that DHS does not intend to provide the $0.25 per hour wage increase for qualified childcare providers in the Wages Plus Program in FY 2004-2005, even though the Board of Supervisors' add-back of $248,000 specifically included $178,000 for the $0.25 per hour wage increase, for two reasons: (1) the projected FY 2004-2005 budgetary shortfall, and (2) the projected FY 2005-2006 budgetary shortfall. Mr. Arnold stressed that this latter reason was the more compelling one in DHS' decision to not institute the $0.25 per hour wage increase. This is because a challenging situation would result for the qualified childcare providers in FY 2005-2006 had they received a $0.25 wage increase in FY 2004-2005, because they would be required to essentially receive a wage reduction of $0.25 in FY 2005-2006.

Description: The proposed supplemental appropriation ordinance would appropriate $285,027 from the General Fund Reserve to DHS, including (a) $107,027 to pay for the FY 2004-2005 projected budgetary shortfall in the DHS budget for the Wages Plus Program, and (b) an additional $178,000 for the $0.25 per hour wage increase for qualified childcare providers, retroactive to January 1, 2005.

Budget: The following table, compiled by the Budget Analyst using information submitted by Ms. Rutherford, shows a summary budget for expending the proposed $285,027.

Amount	Proposed Use
$107,027	To address the FY 2004-2005 budgetary shortfall in the FY 2004-2005 DHS budget for the Wages Plus Program, as shown in Attachment I.
$178,000[1]	To provide an additional $0.25 per hour wage increase for qualified childcare providers, retroactive to January 1, 2005.
$285,027	**TOTAL**

Comments:

1. In response to a Budget Analyst inquiry as to how the DHS would resolve the $107,027 projected budgetary shortfall in the Wages Plus Program for FY 2004-2005, without obtaining additional funds from the subject proposed supplemental appropriation, Mr. Arnold advised that "DHS is currently reviewing all contract expenditures for the purpose of identifying underspending that can be reallocated" to the Wages Plus Program projected shortfall for FY 2004-2005. The Budget Analyst notes that, until DHS completes this process of identifying underspending for contractual services, it is uncertain as to whether there is, in fact, a need for $107,027 of the subject $285,027 contained in this supplemental appropriation ordinance.

2. The following table, compiled by the Budget Analyst, based on information provided by Ms. Rutherford, shows the total budgeted funding, funding sources, and expenditures detail for the Wages Plus Program since its inception in FY 2000-2001 through FY 2004-2005, and the DHS budget proposal for FY 2005-2006.

[1] According to Ms. Rutherford, the $178,000 figure was estimated in June of 2004 by taking the number of qualified childcare providers, or 660, and multiplying by an approximate average number of hours worked, or 1078.8, at $0.25 per hour. The Budget Analyst notes that the current number of qualified childcare providers, as reported by DHS in Attachment II, is 689. According to Attachment II, there are currently 645 qualified providers at childcare centers and 44 qualified providers at family childcare centers participating in the Wages Plus Program in FY 2004-2005, or a total of 689 qualified childcare providers.

Fiscal Year	Wages Plus Budget (General Fund)	Board of Supervisors Add-Back (General Fund)	Total Budget	Actual and Projected Expenditures	Balance
2000-2001	$4,100,000		$4,100,000	$1,118,486	$2,981,514
2001-2002	3,850,000	$466,512	4,316,512	2,021,445	2,295,067
2002-2003	4,204,968		4,204,968	3,265,872	939,096
2003-2004	3,590,855		3,590,855	3,748,781	157,926
2004-2005	3,547,790	248,000[2]	3,795,790	3,902,817[3]	-107,027[5]
2005-2006[1]	3,795,790		3,795,790[4]	4,098,215	-302,425

[1] The FY 2005-2006 budget is DHS's proposal to the Mayor and will not necessarily reflect actual expenditures or the Mayor's budget submission to the Board of Supervisors on June 1, 2005.
[2] The Board of Supervisors provided a $248,000 add back to DCYF for Wages Plus, and DCYF workordered this $248,000 to DHS for the Wages Plus Program.
[3] The total expenditures for FY 2004-2005 is a straight line projection based on expenditures to date.
[4] Includes $248,000 in DCYF's baseline budget.
[5] Projected expenditure shortfall for FY 2004-2005, as shown in Attachment I.

As shown in the table above, the Wages Plus Program is projected to cost $302,425 more in FY 2005-2006 then DHS has requested in its FY 2005-2006 budget submitted to the Mayor.

3. The Budget Analyst notes that the projected shortfall for the Wages Plus Program of $302,425 for FY 2005-2006, as shown in the table above, does not include the Board of Supervisors requested $0.25 per hour wage rate increase for qualified childcare providers in the Wages Plus Program. Such a wage increase, retroactive to January 1, 2005, from the $178,000 in funds in the proposed supplemental appropriation ordinance, would be provided in FY 2004-2005 if this supplemental appropriation request is approved. According to Ms. Rutherford, a $0.25 per hour wage increase in FY 2005-2006 would add approximately $320,000 to the costs of the Wages Plus Program in FY 2005-2006, resulting in an estimated FY 2005-2006 budgetary shortfall of $622,425 ($302,425 plus $320,000).

Recommendation: Given that (a) the Board of Supervisors previously appropriated funds totaling $178,000 in the FY 2004-2005 budget to provide for a wage increase of $0.25 per hour for childcare providers in the Wages Plus Program, but the DHS has not implemented such a wage increase; (b) the Wages Plus Program has a projected shortfall of $107,027

in FY 2004-2005 without providing the $0.25 per hour wage increase; (c) the DHS has not completed its process, currently underway, of identifying underspending in DHS contractual services accounts, in order to determine if surplus monies are available from other contractual services funds to resolve the $107,027 projected budgetary shortfall for the Wages Plus Program in FY 2004-2005; and, (d) DHS has requested $3,795,790 for the Wages Plus Program in its FY 2005-2006 budget submitted to the Mayor, which is $302,425 less than the projected need of $4,098,215 for FY 2005-2006, even without providing for a $0.25 per hour wage rate increase for qualified childcare providers, approval of the proposed supplemental appropriation ordinance, as amended, is a policy matter for the Board of Supervisors.

Other Policy Options For Consideration:

1. Sever the proposed ordinance by continuing the amount of $107,027, contained in the proposed supplemental appropriation ordinance, for the projected shortfall for the Wages Plus Program in FY 2004-2005, until DHS completes its process of identifying available funds from potential underspending in its other contractual services accounts. When that process is completed, DHS will have identified the precise amount of additional funds, if any, which may be needed to pay for the FY 2004-2005 projected budgetary shortfall of $107,027.

2. Approve the balance of $178,000 to provide an additional $0.25 per hour wage increase for qualified childcare providers in the Wages Plus Program, retroactive to January 1, 2005.

The WAGES+ FY 04-05 budget includes the following:

Subsidies:

$ 2,690,705	Center payments (incl. $53,000 overtime)
$ 545,917	Family Child Care payments
$ 63,898	Ext. increase Worker's Compensation
$ 102,600	12 mos. – longevity increases (center & FCC)
$ 3,403,120	Wage subsidy to providers FY 04-05

Quality Assessment:

$ 214,364 Work order to DCYF for SFSU Gateways to Quality

Program Administration:

$ 124,345	CCSF Contract (translation, transcript analysis, payment dispersal)
$ 180,988	Sucontract for Program Mgt. (TA, monitoring, auditing, data base development)
$ 305,333	Total FY 04-05 WAGES+ prog. admin. & sup.
$ (20,000)	Projected admin. savings
$ 285,333	Total admin & support FY 04-05

Combined cost of program:

$ 3,403,120	WAGE subsidy to providers
$ 214,364	Quality Assessment
$ 285,333	Program staffing and administration
$ 3,902,817	Total WAGES+ Proj. Expenditure FY 04-05

Projected Shortfall:

$ 3,547,790	WAGES+ budget FY 04-05
$ 248,000	Add-back
$ 3,795,790	FY 04-05 Total Budget
$ (3,902,817)	Projected Expenditure FY 04-05
$ 107,027	FY 04-05 projected shortfall

Source: Ms. Michele Rutherford, DHS, February 17, 2005

WAGES *Plus*:
Participation Levels

Participating Programs by Fiscal Year

Year	Number of Participating Programs	Number of Participating Centers
FY 2000-2001	16	42
FY 2001-2002	31	62
FY 2002-2003	30	62
FY 2003-2004	31	64
FY 2004-2005	28	62

Augmented Staff at Participating Centers by Fiscal Year

Year	Other Administrative Staff (janitors, cooks, administrative assistants, etc.)	Entry Level Teaching Assistant	Associate Teacher	Teacher without 16 General Education Units	Teacher with 16 General Education Units	Master Teacher	Site Supervisor	Total
FY 2000-2001	27	166	87	28	56	18	31	413
FY 2001-2002	51	268	125	39	79	36	35	633
FY 2002-2003	44	259	142	37	54	37	38	611
FY 2003-2004	40	262	146	37	71	37	35	628
FY 2004-2005	42	273	143	45	71	38	33	645

WAGES *Plus*:

Participation Levels

Participating Programs and Augmented Teaching Assistants by Fiscal Year

Year	Family Child Care Teaching Assistants	Scholarships	Total FFC Owners & Assts.
FY 2000-2001	N/A	N/A	N/A
FY 2001-2002	36	114	150
FY 2002-2003	38	134	172
FY 2003-2004	33	135	168
FY 2004-2005	44	128	172

Item 4 - File 05-0435

Departments: Mayor's Office
Police Department

Item: Resolution rejecting the conditional waiver of payment by San Francisco Cycling LLC to the City for the costs of Police services already provided to San Francisco Cycling, LLC, a private for-profit organization for the (a) September 12, 2004 T-Mobile Race and for the (b) future 2005, 2006 and 2007 T-Mobile Races.

Description: In accordance with Administrative Code Section 10B, private parties contracting with the Police Department for purposes of obtaining additional police services are required to (a) reimburse the Police Department for the direct cost of police services, and (b) pay the City's General Fund an administrative overhead fee. The administrative overhead fee is charged at a rate of 14.70 percent of direct Police service costs, as previously approved by the Board of Supervisors in July of 2002 (File No. 02-0182).

On August 17, 2004, the Board of Supervisors approved an ordinance (File No. 04-0322) which amended Section 10B of the City's Administrative Code to permit the Mayor to waive, in writing, costs of Police services, including but not limited to the administrative overhead fee, subject to rejection by the Board of Supervisors by Resolution within 30 days of the Mayor's issuance of a waiver. Prior to the passage of that ordinance, Administrative Code Section 10B required private parties to pay for both the direct costs of additional Police services and the administrative overhead fees, unless the Board of Supervisors, by ordinance, specifically waived such charges.

On September 30, 2004, the Mayor advised the Board of Supervisors that the Mayor had conditionally authorized a waiver of payment by San Francisco Cycling LLC, a private for-profit organization, to the City for the costs of Police services for the September 12, 2004 T-Mobile Race and for the future 2005, 2006 and 2007 T-Mobile Races. Without this waiver, San Francisco Cycling LLC would be

required to pay all of such Police services costs to the City. The Mayor's Office then temporarily withdrew this waiver on October 21, 2004, pending the results of an economic impact study of the 2004 T-Mobile Race (See Comment No. 3). The Mayor's Office again advised the Board of Supervisors on March 9, 2005 that the Mayor had authorized a waiver of payment for Police services provided to the San Francisco Cycling, LLC. for the 2004 through 2007 T-Mobile Races, which is the subject of the proposed resolution.

The proposed resolution would reject the conditional waiver granted by the Mayor to San Francisco Cycling, LLC. Under the Mayor's conditional waiver, $1.00 of Police Department costs for every $2.00 of estimated tax revenue generated by the San Francisco Cycling LLC event would be waived (a) for the 2004 T-Mobile Race which was previously held on September 12, 2004 and (b) for the future 2005, 2006 and 2007 T-Mobile Races. According to Mr. Ben Rosenfield of the Mayor's Office, the cost of additional Police services for the 2004 T-Mobile Race was $335,796, of which $293,000 was direct overtime costs, and $42,796 was for the General Fund's administrative overhead fees.

A study by Economic Research Associates estimates the local tax revenues of $491,744 to be realized by the City and County of San Francisco as a result of direct spending at the 2004 T-Mobile Race (see Comment No. 3). Therefore, the subject waiver would reduce the $335,796 total Police costs for the 2004 T-Mobile Race by $245,872 to $89,924 the amount that San Francisco Cycling LLC would have to pay to the City ($335,796 less $491,744 divided by 2). As a result of this waiver, the City would forego a payment of $245,872 from San Francisco Cycling, LLC unless the Mayor's waiver is disapproved by approving this proposed resolution.

However if this proposed resolution is approved, which would reject the Mayor's conditional waiver of payment by San Francisco Cycling LLC for additional Police services provided for for the T-Mobile Races, then (a) San Francisco Cycling, LLC would have to pay the City the Police services costs of $293,000 and administrative

overhead fees to the City's General Fund of $42,796, or a total of $335,796, instead of having to pay the City $89,924, for the additional Police services provided on September 12, 2004 for the T-Mobile Race, and (b) San Francisco Cycling LLC would either have to pay the City for the costs of all Police services for the 2005, 2006 and 2007 races or cancel the races in the City in those years. Additionally, if the Board of Supervisors approves the proposed resolution rejecting the waiver of payment of City costs by San Francisco Cycling, LLC, an Agreement, previously entered into by the Mayor's Office, on behalf of the City, with San Francisco Cycling, LLC on September 8, 2004, would be null and void, according to Ms. Linda Ross of the City Attorney's Office (See Comment No. 2).

The Mayor advised the Board of Supervisors regarding this conditional waiver on March 9, 2005. Therefore, if the Board of Supervisors does not want to waive the costs for Police services and administrative overhead fees, the Board of Supervisors must approve the subject proposed resolution to reject the Mayor's waiver within 30 days, or by April 8, 2005.

Comments:

1. According to Mr. Rosenfield, the T-Mobile Race has been held annually in San Francisco since 2001. Mr. Rosenfield advises that the T-Mobile Race has resulted in additional City costs for the Police Department, the Department of Parking and Traffic (DPT), the Municipal Railway (MUNI), and the Department of Public Works (DPW). The following table, compiled by the Budget Analyst, based on information provided by the Mayor's Office, shows the additional costs incurred by the City as a result of each T-Mobile Race:

Year	Police Services*	Other City Departments**	Total Additional Costs Incurred by the City as a Result of the T-Mobile Race
2001	$343,494	$106,976	$450,470
2002	483,673	71,648	555,321
2003	393,076	101,958	495,034
2004	335,796	84,356	420,152

*Includes direct police service costs and an administrative overhead charge of 14.70 percent.
**DPT, MUNI, and DPW costs.
Source: Compiled by the Budget Analyst based on information provided by the Mayor's Budget Office

According to Mr. Rosenfield, San Francisco Cycling LLC will be billed for all costs of DPT, Muni and DPW. According to Mr. Rosenfield, San Francisco Cycling LLC has previously paid the City for all 2001, 2002, and 2003 charges due to the City, as shown in the table above. However, Mr. Rosenfield advises that the payment for 2002 of $555,321 was settled by a loan from the City to San Francisco Cycling, LLC, which was subsequently forgiven by the Mayor's Office of Economic Development for the 2002 race.

2. On September 8, 2004, the Mayor's Office, on behalf of the City, entered into an Agreement with San Francisco Cycling LLC for a three-year period, from September 8, 2004 through September 20, 2007 for the purpose of conditionally waving the additional costs incurred by the City which results from conducting the T-Mobile Races in 2004, 2005, 2006 and 2007. That Agreement was not subject to Board of Supervisors approval, as established in Section 10B of the Administrative Code. The provisions of this Agreement are as follows:

- On or before September 8, 2004, San Francisco Cycling LLC was required to make full payment of past due amounts owed to the City for the additional costs incurred by the City related to City services for the 2003 T-Mobile Race, in the amount of $495,034. According to Mr. Rosenfield, the City has received full payment in the amount of $495,034 for the 2003 Race. The Budget Analyst notes that this payment was already required without the Agreement.

- San Francisco Cycling LLC is required to make timely payments of all permit fees and other costs incurred by the City which are not waived by the Agreement. The Budget Analyst again notes that this is already a requirement without the Agreement.
- The City and San Francisco Cycling LLC will mutually agree on a third-party firm to provide an economic analysis report following each T-Mobile Race (see Comment No. 3).
- On or before September 30, 2004, the Mayor will submit a notice of waiver of police fees to the Board of Supervisors. The Board of Supervisors will have 30 days to reject such waiver, in accordance with Administrative Code Section 10B. As previously noted, the Mayor submitted such notice of waiver on September 30, 2004 to the Board of Supervisors and then on October 21, 2004 temporarily withdrew this waiver pending the results of an economic impact study. The Mayor's Office again submitted the requested waiver on March 9, 2005, which is the subject of the proposed resolution.
- If the decision of the Board of Supervisors is not to reject the waiver, the City will waive one dollar of the Police Department costs, including the administrative overhead charges, for every two dollars of tax revenues, to be realized by the City as a result of holding the T-Mobile Race in San Francisco. The Agreement does not waive MUNI, Department of Parking and Traffic, Department of Public Works, or other costs incurred by or fees charged by the City.
- Once the T-Mobile Race results in a net profit to San Francisco Cycling LLC (including cumulative net profits and losses since 2001), San Francisco Cycling LLC will pay the City 40 percent of its cumulative net profits (see Comment No. 4).

According to Ms. Ross, the Agreement between the City and San Francisco Cycling LLC is a multi-year conditional waiver through 2007. Therefore, Ms. Ross states that if the Board of Supervisors rejects the request for a conditional waiver, this multi-year Agreement would be null and void. However, Ms. Ross states that should the Board of Supervisors not approve the proposed resolution to reject the conditional waiver, which would

then result in approval of the requested waiver, the Board of Supervisors would be accepting the Mayor's multi-year conditional waiver. Therefore, the Budget Analyst notes that the Board of Supervisors would not have an opportunity to reject waiving the payment for the additional costs incurred by the Police Department related to the T-Mobile Races for future races to be held in 2005, 2006 and 2007. The actual waiver amounts and the projected costs to be incurred by the City would be unknown until the 2005, 2006 and 2007 Races are held.

3. Mr. Rosenfield advises that in September of 2004 the Mayor's Office requested the San Francisco Convention and Visitors Bureau contract with Economic Research Associates, a private for-profit consulting firm that focuses on economic analysis, on a sole source basis, to conduct an economic impact analysis and fiscal revenue projection of the 2004 T-Mobile Race for the amount of $38,000. According to Mr. Rosenfield, the Mayor's Office requested that the San Francisco Convention and Visitors Bureau contract with Economic Research Associates, instead of the City contracting with Economic Research Associates, because the San Francisco Convention and Visitors Bureau has previously contracted with Economic Research Associated for similar economic analysis studies. In accordance with the Agreement between the City and the San Francisco Cycling LLC, San Francisco Cycling LLC paid $5,000 and the Mayor's Office paid $33,000 for the $38,000 cost of the economic analysis report. According to Mr. Rosenfield, the City's share of $33,000 was paid from General Fund monies included in the FY 2004-2005 budget. Mr. Rosenfield states that the 2005, 2006, and 2007 T-Mobile Races will also be evaluated for economic impact but that the scope of these future evaluations has not yet been determined.

The Budget Analyst reviewed the Economic Research Associates report issued on December 16, 2004 and found the methodology used to determine the economic impacts to be reasonable. The Economic Research Associates report estimated that the direct spending impact on the City from the September 12, 2004 T-Mobile Race was $10,581,226. The Economic Research Associates report then calculated total local tax revenues of $491,744 that

would be realized by the City and County of San Francisco from Hotel Taxes, Sales Taxes, Parking Taxes and Payroll Taxes from the estimated $10,581,226 direct spending impact.

4. As previously stated, the Agreement between the City and San Francisco Cycling LLC provides that once the T-Mobile Race results in a net profit to San Francisco Cycling LLC (including cumulative profits and losses since 2001), San Francisco Cycling LLC will pay the City 40 percent of its cumulative net profits from the races. The Agreement presently requires that San Francisco Cycling LLC provide the City with annual audited financial statements, prepared in accordance with generally accepted accounting principles, within 30 days of the completion of the audit, in order to serve as verification of the net profits or losses.

According to Mr. Rosenfield, San Francisco Cycling LLC has "represented" to the Mayor's Office that San Francisco Cycling LLC has incurred cumulative net losses through the 2003 T-Mobile Race totaling $1,371,752. In the professional judgement of the Budget Analyst, such "representations" from San Francisco Cycling LLC regarding net profits or losses should not be accepted by the City. Rather, the annual audited financial statements, which include such cumulative net loss and profit statements, should be required to be provided by San Francisco Cycling LLC to the City. Mr. Rosenfield concurs with the Budget Analyst's recommendation, and states that the Mayor's Budget Office plans to review annual audited San Francisco Cycling LLC financials statements for the 2001, 2002, 2003, and 2004 calendar years following completion of the annual audited financial statement for the 2004 year, which is expected to be delivered to the City in April of 2005. Any profits owed to the City as required under the contract between the Mayor's Office and San Francisco Cycling LLC, would be requested following that review.

5. Section 10B.2 of the Administrative Code, as amended on August 17, 2004 (File No. 040-0322), states:

"In making the determination of whether to waive partial payment of costs, the Mayor, or the Mayor's designee, must consider the following criteria:

1) Whether the event will be privately funded and will generate sales tax and/or hotel tax revenue to the benefit of the City's General Fund;
2) Whether the privately funded event will promote tourism in San Francisco to a broad audience and will have a long term promotional value to San Francisco;
3) Whether the event will be consistent with the City's policy of promoting a sustainable environment and promotion of diversity and tolerance;
4) Whether the event will be a safe activity, confined to a specified location or route, and will not result in extraordinary security costs to the City, including excessive deployment of police; and
5) Whether the event is consistent with City policy against glamorizing use of alcohol or tobacco products."

Mr. Rosenfield advises that the Mayor's Office considered the five above-listed criteria in considering the subject waiver and that the T-Mobile Races have met such criteria. Mr. Rosenfield advises that the Mayor's Office has developed the Agreement with San Francisco Cycling LLC in order to keep the T-Mobile Race in San Francisco because of its positive economic and social benefits.

6. In summary, the Budget Analyst cannot determine the total costs or financial benefits to the City by granting a waiver of payments to San Francisco Cycling LLC for 2004 through 2007 because the City (1) cannot determine the cost of Police services that would be waived in 2005, 2006, 2007 relative to the tax revenues that would be generated in those years until the T-Mobile Races are held, and (2) the Mayor's Office has not yet received San Francisco Cycling LLC's annual audited financial statements, and (3) the Mayor's Office the Mayor's Office cannot estimate the amount, if any, which the City might receive from San Francisco Cycling LLC net profits from the 2005 through 2007 T-Mobile Races.

However, if the proposed resolution is not approved, the City would forego $245,872 by waiving that amount which would otherwise have to be paid to the City by San Francisco Cycling, LLC for services provided by the Police Department for the 2004 T-Mobile Race.

Recommendation: Based on the issues summarized in Comment No. 6 above, approval of the proposed resolution is a policy decision for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Daly
Supervisor Elsbernd
Supervisor Ma
Supervisor McGoldrick
President Peskin
Supervisor Alioto-Pier
Supervisor Dufty
Supervisor Maxwell
Supervisor Mirkarimi
Supervisor Sandoval
Clerk of the Board
Controller
Erin McGrath
Ted Lakey
Cheryl Adams

City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Members: Tom Ammiano, Chris Daly, Sean Elsbernd, Fiona Ma, Jake McGoldrick

Clerk: Gail Johnson

Thursday, March 31, 2005 | **1:00 PM** | **City Hall, Legislative Chamber, Room 250**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. **050307** **[Budget Updates]**

Supervisor Ammiano

Hearing to consider budget updates from the Mayor, Controller, Budget Analyst, Office of Legislative Analysts and City Departments.

2/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

3/17/05, CONTINUED. Heard in Committee. Speakers: Noelle Simmons, Mayor's Budget Office; Ken Bruce, Budget Analyst's Office.
Continued to March 24, 2005.

3/24/05, CONTINUED. Heard in Committee. Speaker: Monique Zmuda, Deputy Controller.
Continued to March 31, 2005.

2. 050443 **[Mayor's Budget Plan]**

Supervisor Ammiano

Hearing to review the Mayor's most recent budget plan, the Mayor's planned and current spending changes to address the City's current budget deficit.

3/15/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

3. 041240 **[Board of Supervisors/Clerk of the Board Annual Budget Guidelines for FY 2005-06.]**

Hearing to consider the annual review and approval of the Board of Supervisors/Clerk of the Board Annual Budget Guidelines for FY 2005-06. (Clerk of the Board)

9/14/04, RECEIVED AND ASSIGNED to Budget Committee.

1/31/05, TRANSFERRED to Budget and Finance Committee. New committee structure.

2/17/05, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Gloria Young, Clerk of the Board; Adele Destro, Assistant Clerk of the Board; Harvey Rose, Budget Analyst; Ken Bruce, Budget Analyst's Office; Monique Zmuda, Deputy Controller.

4. 050500 **[Public Health and Human Resources Fiscal Year 2005-2006 Budget]**

Supervisor Ammiano

Hearing for the Department of Public Health and the Department of Human Services to provide a policy and performance based overview of their current year budget and proposed FY 2005-2006 budget submission to the Mayor.

3/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. Sponsor requests this item be scheduled for consideration at the March 31, 2005 meeting.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day Rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

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BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY OF SAN FR

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 24, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: March 31, 2005 Budget and Finance Committee Meeting

Item 1- File 05-0322

Department: Department of Parking and Traffic (DPT)
Municipal Transportation Agency (MTA)

Item: Resolution authorizing the Director of Transportation of the Municipal Transportation Agency to enter into the Second Amendment extending by three months and eight days the term of the existing Emergency Interim Service Agreement and Property Use License ("Emergency Interim Agreement") between the City and County of San Francisco, acting by and through the Municipal Transportation Agency and TEGSCO, LLC, doing business as San Francisco AutoReturn (AutoReturn). The existing Agreement is for the towing, storage and disposal of abandoned and illegally parked vehicles and expires on April 21, 2005. The proposed resolution would authorize the Second Amendment to the existing Agreement, extending the term of the existing Agreement from April 22, 2005 through July 30, 2005 or until a long-term towing services contract is executed, whichever occurs first.

Description: The Municipal Transportation Agency (MTA), through the Department of Parking and Traffic (DPT), is responsible for removing illegally parked and abandoned vehicles for the City. DPT is required under San Francisco Traffic Code Section 163 to contract for towing, storage and disposal of abandoned and illegally parked vehicles in San Francisco. The term of the original Emergency Interim Agreement was for one year from March 22, 2004 until March 21, 2005. The Director of Transportation executed a First Amendment to the Emergency Interim Agreement for 30 days, in order to extend its original expiration of March 21, 2005 through April 21, 2005. This proposed

Second Amendment extends the term of the Agreement through July 30, 2005.

Term of Proposed Second Amendment: April 22, 2005 through July 30, 2005 (3 months and eight days)

Fees and Rent to be Paid by AutoReturn to DPT: According to Mr. Steve Bell of DPT, under the existing agreement with AutoReturn, as previously approved by the Board of Supervisors on July 13, 2004, the City receives the following revenues from AutoReturn:

- Fee of $15.03 per tow referred by DPT or by the San Francisco Police Department (SFPD),
- Rent of $96,791 per month ($1,161,492 annually) for utilization of Pier 70 paid to the Port of San Francisco,
- Rent of $64,009 per month ($768,108 annually) for utilization of the Hall of Justice and 415 7th street lot paid to DPT.
- Administrative fee of $50 per tow charged by DPT and processed by AutoReturn as the towing contractor.

Mr. Bell advises that under the former month-to-month contract with City Tow and the existing Emergency Interim Agreement with AutoReturn, the revenues paid to the City differ only because (a) the number of tows for which the City receives $15.03 per tow may differ, (b) the administrative fee charged by DPT was increased from $30 to $50 per tow and (c) the annual CPI is adjusted to allow for rent adjustments for the lease of Pier 70 and the Hall of Justice, the two parcels utilized for vehicle towing and storage. Attachment I, provided by Mr. Bell, shows the average annual net revenues paid to the City by City Tow for Fiscal Year 2002-2003 (their last full year with the City) and the estimated annual net revenues to be paid to the City by AutoReturn, based on ten months of revenue data from April 1, 2004 through January 31, 2005.

The Budget Analyst notes that the revenues paid to the City by City Tow for FY 2002-2003 totaled $4,647,158, as compared with the projected revenues to be paid to the City by AutoReturn of $5,757,856 for FY 2004-2005, an increase of $1,110,698, or 23.9 percent.

Attachment II to this report, a memorandum from Mr. Bond Yee, Executive Director of DPT, describes the background leading up to the proposed resolution. Mr. Yee explains that on December 2, 2003, the MTA Board of Directors authorized the Director of Transportation to negotiate a new long-term towing and storage contract with the highest ranked proposer, AutoReturn. Attachment III to this report, a memorandum from Mr. Bell, describes the minimum qualifications for the firms submitting proposals and the scoring criteria used to evaluate proposals.

Mr. Bell explains that a Request for Proposal (RFP) was issued as a result of a performance audit of City Tow completed by the Controller's Office in September of 1998. DPT requested the audit in June 1997, in anticipation of the expiration on May 31, 1999 of the City Tow contract because DPT wanted an independent source to recommend changes that should be encompassed in any new towing contract. The Controller's audit recommended that DPT issue a new RFP designed to enhance revenues and provide clarification of contract requirements. DPT also wished to issue an RFP that would contain specific performance standards with provisions that would allow DPT to enforce the Department's performance standards.

DPT issued an RFP in February of 2000. Mr. Bell explains that while developing the RFP for the towing contract, DPT staff was also negotiating and implementing the City's new Citation Processing Contract with PRWT Services, Inc. Because both projects were in process simultaneously, the RFP for towing services was issued later than originally anticipated.

According to Mr. Bell, in July of 2001, DPT determined that it had not sufficiently addressed the minimum qualifications needed in the towing contract. Consequently, DPT rejected all proposals submitted for the towing contract and revised and reissued the RFP in September of 2002. Mr. Bell states that after the first RFP was cancelled, a concern was raised regarding the Port of San Francisco's requirements for use of the main tow storage facility at Pier 70. Mr. Bell notes that the

resulting negotiations were "challenging" and took 13 months to resolve.

Three proposals for a new towing contract with the City were received by DPT on March 10, 2003 from Pick Your Part Auto Wrecking doing business as City Tow, San Francisco Towing, Inc. and TEGSCO, LLC doing business as San Francisco AutoReturn. As previously noted, on December 2, 2003 the MTA Board of Directors authorized the Director of Transportation to negotiate a new long term towing contract with the highest ranked proposer, San Francisco AutoReturn.

On March 16, 2004, the MTA Board of Directors approved a one-year Emergency Interim Agreement[1], from March 22, 2004 through March 21, 2005, for towing, storage and disposal services with AutoReturn to avoid an interruption of services due to the abrupt departure of City Tow on March 21, 2004. City Tow held a month-to-month agreement with DPT from May 31, 1999 through March 21, 2004. The one-year Emergency Interim Agreement with AutoReturn was subsequently approved by the Board of Supervisors on July 13, 2004 (File No. 04-0638).

Comments:

1. Mr. Yee advises that negotiations with AutoReturn for a long-term contract began in January of 2005. According to Mr. Yee, DPT and AutoReturn anticipated that negotiations would not be completed prior to the expiration of the original Emergency Interim Agreement with AutoReturn on March 21, 2005. Mr. Yee explains that the resulting cessation of towing services would have resulted in the serious detriment to health, safety and transportation within San Francisco. Therefore, the MTA Director of Transportation previously exercised his authority under Administrative Code § 21.15 to execute a First Amendment to the Emergency Interim Agreement

[1] According to Julia Friedlander of the City Attorney's office, Administrative Code Section 21.15 authorizes a department head, with approval from the president of the commission governing that department, to enter into a contract to procure services to respond to an emergency. Mr. Yee advises that the MTA Board of Directors determined that the City's inability to remove abandoned and illegally parked vehicles from its streets, caused by City Tow's withdrawal of its services, posed a threat to public health, safety and welfare constituting a public emergency.

for 30 days, with the written approval of the MTA Board President, in order to extend its original expiration of the needed towing services through April 21, 2005.

2. Mr. Bell advised that the pending long-term contract between the City and AutoReturn will likely be finalized in May of 2005. Mr. Bell further explained that because that contract must be approved by the Port (for use of the Pier 70 property), and the MTA Board, as well as the Board of Supervisors, the approval process may take approximately two months or until July 2005. Therefore, the MTA is requesting that the proposed Second Amendment authorize an extension through July 30, 2005 of the existing Emergency Interim Agreement.

Recommendation: Approve the proposed resolution.

Municipal Transportation Agency
Board of Directors & Parking Authority

MUNI San Francisco Municipal Railway
DPT San Francisco Department of Parking and Traffic

To: Mr. Harvey Rose, Budget Analyst

From: Mr. Steve Bell, Department of Parking and Traffic

Re: Request for Annual Revenue for City Tow and San Francisco AutoReturn

Date: March 16, 2005

The following are the average annual net revenues the City received from City Tow for Fiscal year 2003 (their last full year with the City) and San Francisco AutoReturn (estimated, based on 10 months of revenue information):

City Tow:

Revenue Source	Amount
Referral Fee ($15.03 per tow)	$1,079,515
Administrative Fee ($30 per tow. Increased to $50 per tow as of April 1, 2003)	$1,791,380
Customer Service Center and Primary Storage Facility Rent- 7th Street (CPI adjustment July 1)	$644,666
Secondary Storage Facility Rent-Pier 70 (CPI adjustment July1)	$1,131,597
Total	$4,647,158

San Francisco AutoReturn

Revenue Source	Amount
Referral Fee ($15.03 per tow)	$ 1,052,506
Administrative Fee ($50 per tow)	$ 2,775,744
Customer Service Center and Primary Storage Facility Rent- 7th Street (CPI adjustment July 1; based on current rental rate)	$768,112
Secondary Storage Facility Rent-Pier 70 (CPI adjustment July 1; based on current rental rate)	$1,161,494
Total	$5,757,856

Municipal Transportation Agency
Board of Directors & Parking Authority

San Francisco Municipal Railway
San Francisco Department of Parking and Traffic

MEMORANDUM

To: Honorable Members of the Board of Supervisors

From: Bond M. Yee, Executive Director, DPT

Through: Michael T. Burns, Executive Director of Transportation, MTA

Subject: Request for Approval authorizing the Director of Transportation of the Municipal Transportation Agency to extend the term of the Emergency Interim Service Agreement and Property Use License for Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles by and Between the City and County of San Francisco and TEGSCO, LLC d.b.a. San Francisco AutoReturn until July 30, 2005 or until a long-term agreement is executed, whichever comes first.

Date: February 22, 2005

The Municipal Transportation Agency respectfully requests that the Board of Supervisors approve authorizing the Director of Transportation of the Municipal Transportation Agency to enter into a contract amendment extending the term of the Emergency Interim Service Agreement and Property Use License for Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles by and Between the City and County of San Francisco and TEGSCO, LLC d.b.a. San Francisco AutoReturn until July 30, 2005 or until a long-term agreement is executed, whichever comes first.

Background:
To maintain public health and safety, the City is charged under the laws of the State of California with the authority and duty to keep City streets clear of abandoned and illegally parked vehicles. Currently, more than 200 vehicles per day are towed in San Francisco on behalf of DPT and the San Francisco Police Department, including abandoned and inoperable vehicles, vehicles involved in accidents, vehicles blocking traffic and access to fire hydrants, vehicles operated by unsafe drivers, unregistered vehicles and vehicles involved in crimes. Interruption of towing services would create numerous and immediate health and safety issues, including traffic congestion and blockage, restricted mobility of emergency vehicles, attractive nuisance posing risks to the health and safety of minors, fire hazard, harborage to rodents and insects, and blight.

Municipal Transportation Agency
Board of Directors & Parking Authority

The Municipal Transportation Agency ("MTA"), through the Department of Parking and Traffic ("DPT"), is responsible for removing illegally parked and abandoned vehicles for the City. DPT is required under San Francisco Traffic Code section 163 to contract for towing, storage and disposal of abandoned and illegally parked vehicles. The San Francisco Police Department also utilizes towing services under DPT's Emergency Interim Agreement with AutoReturn to remove unlicensed drivers, intoxicated drivers, illegally operated vehicles, and vehicles involved in criminal activity from the public streets.

On December 2, 2003, the MTA Board of Directors authorized the Director of Transportation to negotiate a new long-term towing and storage contract with the highest ranked proposer, AutoReturn. Negotiations had to be suspended, however, when the City's then current contractor, The City Tow, informed the City on January 23, 2004 that it would cease towing operations under its month-to-month tow contract in 30 days. As a result of negotiations with the City, City Tow subsequently agreed to continue service through March 21, 2004.

Administrative Code section 21.15 authorizes a department head, with approval from the president of the commission governing that department, to enter into a contract to procure services to respond to an emergency. The MTA determined that the City's inability to remove abandoned and illegally parked vehicles from its streets, occasioned by City Tow's withdrawing its services, posed a threat to public health, safety and welfare constituting a public emergency as defined in section 21.15.

On March 16, 2004, the MTA Board of Directors approved a one-year Emergency Interim Agreement for Towing, Storage and Disposal services with TEGSCO LLC, d.b.a. San Francisco AutoReturn to avoid an interruption of services due to the abrupt departure The City Tow. The Board of Supervisors unanimously approved the Emergency Interim Agreement by resolution on July 13, 2004.

The Emergency Interim Agreement for Towing, Storage and Disposal Services went into effect on March 22, 2004. Because of the short notice given by The City Tow, much of the work of transitioning between contractors had to be done after the Emergency Interim Agreement went into effect. Through much of 2004, DPT staff worked with AutoReturn, multiple City agencies, City Tow and remediation contractors to transition all operations at the three separate facilities associated with the City's towing operations: the 7th Street customer service center and the primary and secondary vehicle storage facilities. Following the initial transition period, DPT staff drafted the scope of work for the long-term contract, which was reviewed by the City Attorney's office and forwarded to AutoReturn in December 2004.

Municipal Transportation Agency
Board of Directors & Parking Authority

San Francisco Municipal Railway
San Francisco Department of Parking and Traffic

Proposal:
Intensive negotiations with AutoReturn for the long-term contract began in January, 2005. The parties anticipate that negotiations may not be completed prior to the expiration of the Emergency Interim Agreement. The expiration of the Emergency Interim Agreement and the resulting cessation of towing services would result in serious detriment to health, safety and transportation within San Francisco. Therefore MTA's Director of Transportation has exercised his authority under Administrative Code § 21.15 to execute a First Amendment to the Emergency Interim Agreement for 30 days, with the written approval of the MTA Board President, in order to extend its original expiration of March 21, 2005 through April 22, 2005.

Staff requests that the Board of Supervisors authorize the Director of Transportation of the Municipal Transportation Agency to execute an extension of the Emergency Interim Agreement through July 30, 2005, or until the long-term contract are executed, whichever occurs first, in order to ensure continuity of towing service while DPT completes negotiations for a long-term agreement for these services and secures required approvals of the long-term agreement from City agencies.

Municipal Transportation Agency
Board of Directors & Parking Authority

MUNI San Francisco Municipal Railway DPT San Francisco Department of Parking and Traffic

MEMORANDUM

To: Mr. Harvey Rose, Budget Analyst

From: Mr. Steve Bell, Department of Parking and Traffic SB

Subject: Request for Proposal Process for Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles Contract

Date: March 14, 2005

The RFP set minimum qualifications for any company responding. The minimum qualifications were:

- The Proposer, or one or more of its members of its management team, must collectively own not less than one-third of the proposed towing company, and those members with such ownership interest must each have at least five years of towing experience within the last seven years.
- Proposer must have experience in running a towing operation that has towed at least 500 cars per month
- Proposer must have experience in various types of tows, various towing methods, and dealing with tows that are 75% retrieved.
- Proposer must have at least three on site managers with each having five years recent management experience in towing, fleet or garage operations of sufficient size.
- Proposer must have not less than 1/3 ownership interest in a company that has managed an auto-dismantling and parting business for the last five years and that can process at least 1,000 vehicles per month.
- Proposer must provide evidence of sufficient capitol to match its proposed budget.

The scoring as identified in the RFP was

- 50 points for responsiveness to requirements set forth in RFP, such as: towing procedures, customer service, personnel and subcontractors
- 10 points for responsiveness to plans required in the RFP, including providing a 90-day transition plan, an operational plan, and an organizational/management staffing plan
- 40 points for price which was required as follows minimum (bid) referral fee per tow to start at $18 per tow plus a percentage of gross revenues.

An evaluation panel scored each proposal against the requirements detailed in the RFP DPT is currently in contract negotiations with AutoReturn as the highest ranked proposer. The specifics of the evaluation process and contract negotiations will not be a matter of public record until the time that the contract is awarded following conclusion of successful negotiations with AutoReturn.

Item 2 – 04-1720

Note: This item was continued by the Finance and Audits Committee at its meeting of January 26, 2005.

Department: Health Service System (HSS)
Department of Human Resources (DHR)

Item: Resolution establishing the monthly contribution amount to be made to the Health Service Trust Fund by the City and County of San Francisco, the San Francisco Unified School District, and the San Francisco Community College District for Fiscal Year 2005-2006.

Description: The proposed resolution would establish the dollar amount of the employer's contribution to be made to the Health Service Trust Fund by the City and County of San Francisco (City), the San Francisco Unified School District (SFUSD), and the San Francisco Community College District (SFCCD) for FY 2005-2006.

The Health Service Board and the Health Service System, as required by Charter Sections A8.423 and A8.428, have surveyed the ten most populous counties in the State, excluding San Francisco, to determine the average dollar contribution made by these counties toward each employee's medical care insurance, excluding dental and optical care insurance. According to Mr. Jeffrey Hildebrant of HSS, the survey was completed on December 20, 2004.

In accordance with the Charter, this resolution would establish the FY 2005-2006 monthly contribution rate for health care insurance to be paid by the City, the SFUSD, and the SFCCD, at $345.53 per month ($4,146.36 annually) for each eligible, active employee, based on the survey results of the average payment made by the ten most populous counties California (excluding San Francisco) as shown in the following table of most to least populous county:

County	Average Contributed Monthly Amount
Los Angeles	$316.07
Orange	374.13
San Diego	267.86
San Bernadino	333.57
Santa Clara	382.32
Riverside	364.69
Alameda	316.40
Sacramento	363.89
Contra Costa	336.62
Fresno	399.71
Total	**$3,455.26**
Average	**$345.53**

According to HSS, the ten-county survey for FY 2005-2006 indicates that the average employer contribution for employee only (i.e. without dependents) coverage for the ten most populous counties in California (excluding San Francisco) is $345.53 per month ($4,146.36 annually) per employee, excluding dental and optical care insurance. The City's current FY 2004-2005 contribution is $312.90 monthly ($3,754.80 annually) per employee. The proposed resolution would establish $345.53 as the monthly per employee contribution to be made in FY 2005-2006 by the City, SFUSD, and SFCCD for the health insurance costs of their employees. The proposed monthly rate of $345.53 ($4,146.36 annually) for FY 2005-2006 represents an increase of $32.63 per month or approximately 10.4 percent over the $312.90 monthly rate currently contributed in FY 2004-2005.

Comments:

1. The proposed 10.4 percent increase for FY 2005-2006 is the fifth most significant proposed increase in the monthly contribution since FY 1990-1991 when the rate increased by 16.3 percent. During the last decade, the annual survey of the other counties has resulted in average monthly contributions that increased minimally in most years and even decreased in FY 1995-1996 and FY 1996-1997. FY 2003-2004 resulted in a 14.0 percent rate increase, followed by a rate increase of 11.3 percent in FY 2004-2005. According to Mr. Hildebrant, the significant proposed increase for FY 2005-2006 reflects the rising cost of health care coverage. Mr. Hildebrant

also notes that the rising cost is consistent with the marketplace for health care coverage as reported by Kaiser, Health Net and Blue Shield.

2. According to Mr. Hildebrant, the total current employee membership in HSS is approximately 36,172, which consists of 1) 25,600 active City and County employees, 2) 8,238 active SFUSD employees, and 3) 2,334 active SFCCD employees. According to Ms. Peg Stevenson of the Controller's Office, based on the current 25,600 active City and County employees, the estimated City and County contribution cost for FY 2005-2006 would be $106,146,816 (25,600 employees x $345.53/month x 12 months), which is $8,900,000 or 9.2 percent more than the approximate contribution cost of $97,300,000 for FY 2004-2005. Of the estimated FY 2005-2006 contribution cost of $106,146,816, Ms. Stevenson estimates that $58,400,000, or 55 percent would represent General Fund monies, which is $4,900,000 or 9.2 percent more than the approximate $53,500,000 General Fund portion in FY 2004-2005.

3. As previously noted, the City's contribution for health care coverage in FY 2005-2006 is equal to the average contribution of the ten most populous counties in California, excluding San Francisco, as determined by an HSS survey taken in December of 2004. According to Mr. Hildebrant, the rates provided by each of the ten counties are those in effect on January 1, 2005. Mr. Hildrebrant states that because some of the surveyed counties provide benefits coverage on a calendar year basis instead of on a fiscal year basis, the surveyed counties may subsequently increase or decrease their actual contributions during FY 2005-2006. Therefore, San Francisco's contribution may, in fact, be greater or less than the actual average contributions to be provided by the ten surveyed counties during FY 2005-2006. However, because HSS is required by the Charter to collect the comparative data in January of each year, HSS is only able to set its FY 2005-2006 rates based on the rates reported by the ten surveyed counties in effect on January 1, 2005.

4. This item was continued by the Finance and Audits Committee at its meeting of January 26, 2005, pending

the calculation of a weighted average[1] of the health plan contribution payments made by the ten most populous counties California. According to the Attachment to this report, provided by Mr. Hildebrant, the Health Service Board has used an unweighted average methodology in calculating the City's contribution amount in all previous years since the adoption of Charter Sections A8.423 and A8.428. According to the Attachment, results of the weighted average were submitted to the Board of Supervisors on March 2, 2005.

5. According to Mr. Hildebrant, the weighted average requested by the Finance and Audits Committee was calculated to be $324, or $21.53 less than the unweighted average of $345.53 previously certified by the Health Service Board. However, Mr. Hildebrant advises that if the City were to use such a weighted average to set the employer rates, there would be cost increases in the rates charged to some members of the Health Service System pursuant to the ordinance under File 05-0416. As of the writing of this report, Mr. Hildebrant could not provide either the annual cost savings to the City or the increased costs to some of the members of the Health Service System if a weighted average for the City's contribution were utilized, instead of using the proposed unweighted average.

6. Mr. Hildebrant advises that, as of the writing of this report, the weighted average results have not been considered or certified by the Health Service Board. According to Mr. Hildebrant, the Health Service Board and the Health Service System continue to recommend use of the unweighted average method, which, as previously noted, would result in a monthly contribution rate by the City to the Health Service Trust Fund of $345.53.

7. File 05-0416, included in the Budget Analyst's March 31, 2005 report to the Budget and Finance Committee, is a proposed ordinance to approve the City's FY 2005-2006

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[1] According to Mr. Hildebrant, in the calculation of this weighed average, the contribution payments made by the ten counties are weighted *within* each county by the number of members in each payment category, and then the ten weighted average contributions are averaged using an unweighted method.

rates of contribution to be paid by the members (employees, retirees, etc.) of the Health Service System.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Attachment

HEALTH SERVICE SYSTEM
City and County of San Francisco
1145 Market Street, Suite 200
San Francisco, California 94103

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

Jeffrey Hildebrant
Deputy Director

Rebekah Krell
Budget Analyst, Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

March 22, 2005

Ms. Krell:

On December 20, 2004, the Health Service Board certified the Fiscal Year 2005-2006 10-County average contribution amount as required by Charter Section A8.423. The Health Service Board used a straight average methodology as it has consistently since the adoption of Section A8.423.

In February 2005 the Board of Supervisors Budget and Finance Committee requested that the approval of the 2005-2006 10-County average contribution amount certified by the Health Service Board be postponed pending the results of a weighted average methodology for the 10-County average contribution.

The results of the weighted average methodology were submitted to Supervisor Peskin's office on March 2, 2005. The results of the weighted average methodology have not been considered or certified by the Health Service Board. If the Board of Supervisors wishes to consider adopting the results of the weighted average methodology, the Health Service Board must first certify the results.

To date, no formal request has been made of the Health Service Board to certify the weighted average results. The current health care plan rates that are to be presented to the Board of Supervisors Budget and Finance Committee are based on the original amount certified by the Health Service Board in December 2004.

Should you have any questions, please feel free to contact me at 554-2477.

Sincerely,

Jeffrey J. Hildebrant

Item 3 - File 05-0416

Department: Health Service System (HSS)
Department of Human Resources (DHR)

Item: Ordinance amending Chapter 16, Article XV, of Part 1 of the Administrative Code by amending Section 16.703 regarding the Board of Supervisors approval of Health Service System Plans and Contribution Rates.

Description: The proposed ordinance would amend Section 16.703 of the Administrative Code to approve the City's FY 2005-2006 Health Service System plans and contribution rates to be paid by members of the System. These plans and contribution rates were adopted by the Health Service Board at its meeting on February 10, 2005. The members of the System include (a) employees and retirees of the City and County of San Francisco, the San Francisco Community College District (SFCCD), and the San Francisco Unified School District (SFUSD), (b) the spouses, domestic partners and surviving spouses of such employees and retirees, and (c) members of eligible Boards and Commissions.

The Health Service System Board has approved four health care plans for FY 2005-2006: (a) City Health Plan, which is a self-funded Preferred Provider Organization (PPO) plan currently administered by the Health Service System, and (b) three health maintenance organization (HMO) plans, including Kaiser, Health Net, and Blue Shield. These four plans are the same plans utilized by the City in FY 2004-2005.

Each year, the Health Service System Board approves the total City contribution per member and total rates for the City Health Plan. Additionally, the Health Service System negotiates premium rates for the three HMO plans.

In accordance with Charter Sections A8.423 and A8.428, the amount of the City's contribution toward health plan premiums on behalf of the above-noted employees is based on a survey of health care contributions made by the 10

most populous counties in California. Based on the survey, the Health Service System determined and the Health Service System Board has recommended that the City's FY 2005-2006 contribution, effective July 1, 2005, be set at $345.53 per employee per month. This represents an increase of $32.63, or approximately 10.4 percent, from the FY 2004-2005 contribution rate of $312.90 per employee per month (see File 04-1720 of the Budget Analyst's report of March 31, 2005 to the Budget and Finance Committee).

Once the City's contribution is established, the Health Service System actuary, Towers Perrin, calculates the Health Services System contributions for the City Health Plan, in order to ensure that contributions from all sources, including the City contribution and the members' contributions, will be adequate to support anticipated claims for the upcoming fiscal year. Towers Perrin determines the monthly premium contributions for the City Health Plan each year, based on claims experience, level of benefits, and Plan enrollment. The Health Service Board also negotiates with the three HMO's regarding the total monthly premium payments for members who enroll in these plans. The actuarial report and details of the member contribution rates to be paid for the City Health Plan and the three HMOs, prepared by Towers Perrin, is attached to this report (Attachment I).

The Health Service Board approved an $18 million subsidy from the Health Service Trust Fund on February 10, 2005 to reduce the costs to be paid by the members for their monthly health plan premiums as well as to reduce the costs to the City, the SFCCD and the SFUSD. The Health Service Trust Fund will pay a $14 million subsidy for the City Health Plan and a $4 million subsidy to for the Blue Shield, Health Net and Kaiser plans. According to Ms. Peg Stevenson of the Controller's Office, of the total subsidy of $18 million, $5,240,000 million or 29.1 percent will be used to reduce the cost to the City's General Fund and $12,760,000 million or 70.9 percent will be used to reduce the costs of the members share of the health plan premiums and the costs to the SFCCD and the SFUSD.

According to the City's Comprehensive Annual Financial Report (CAFR) for FY 2004-2005, as of June 30, 2004 the Health Service Trust Fund was $41,376,225. Towers Perrin projects that as of June 30, 2005, the Health Service Trust Fund will exceed the target level required by the Charter to meet the obligation for expected claims plus a margin to cover unanticipated events.

Health Service System members' health benefits include medical, vision, and dental benefits as discussed below.

Health Plan

Plan changes to the City Health Plan have resulted in changes to the total monthly premium cost in FY 2005-2006 as compared to FY 2004-2005. Page 5 of Attachment I provides FY 2005-2006 City Health Plan monthly premium costs, including the effect of plan changes and the subsidy.

Further, the Health Service Board has approved health plan changes for the three HMOs, which have resulted in changes to the total monthly premium costs in FY 2005-2006 as compared to FY 2004-2005. Page 8 of Attachment I provides FY 2005-2006 HMO monthly premium costs, including the effect of plan changes and the subsidy.

Vision Plan

In FY 2005-2006, all Health Service System members enrolled in the City Health Plan and the three HMOs will receive vision benefits through the Vision Service Plan, except for Kaiser Senior Advantage Medicare members, who will receive vision benefits through Kaiser. The cost of vision benefits is included in the cost of the total monthly health plan premiums for the City Health Plan and the three HMOs.

In FY 2005-2006, Towers Perrin has determined that the monthly premium payments for VSP would decrease by 3 percent for members only and 3 percent for members enrolled with one dependent. For members with 2 or more dependents, the monthly premium payments for VSP would decrease by 8.5 percent.

Dental Plan

The Health Service System provides three dental plans to members, including a dental preferred provider (DPO) through Delta Dental and two pre-paid dental plans, PMI and Pacific Union. The City pays the cost of dental benefits for employees, while retirees pay the full cost of their dental benefits.

As noted on page 12 of Attachment I, in FY 2005-2006 the City pays $108.60 per employee per month for dental premiums, which is an increase of $8.10, or 8.5 percent over the 100.50 contributed in FY 2004-2005, and is based on the average cost of coverage for all employees. As shown of page 11 of Attachment I, in FY 2005-2006, Towers Perrin has determined that the monthly premium payments for Delta Dental, which is self-insured, would increase by 7.7 percent for employees and would remain at the same rates as FY 2004-2005 for retirees. The FY 2005-2006 PMI monthly premium payments will remain at the same rates as FY 2004-2005 for employees and for retirees. The Pacific Union monthly premium payments for dental benefits in FY 2005-2006 will also remain at the same rates as FY 2004-2005 for both employees and retirees.

Comment: According to Ms. Stevenson, FY 2005-2006 General Fund costs for Health Service System benefits are an estimated $195,555,618, which is $25,626,937, or approximately 15.1 percent, more that the FY 2004-2005 General Fund costs of $169,928,681. As shown in Attachment II, provided by the Controller, the projected increase in FY 2005-2006 General Fund costs of $25,626,937 for Health Service System benefits include the City's contribution for (a) employees based on the 10 county survey as mandated by the Charter,(b) retirees, as mandated by Charter Section A8.428c, (c) Memoranda of Understanding provisions covering employee health benefits, and (d) dental plans for active employees.

Recommendation: Approve the proposed ordinance.

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March 3, 2005

Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Honorable Members of the Board of Supervisors:

2005-06 HEALTH PLAN BENEFITS, RATES AND CONTRIBUTIONS

The Health Service Board has completed the rate- and contribution-setting process for the health and dental plans to be offered in the plan year beginning July 1, 2005. This letter presents our position regarding that process, as consultant and actuary to the Health Service System (HSS). The process was conducted under the direction of the Rates and Benefits Committee of the Health Service Board, and the results were reported to and approved by the full Health Service Board at its February 10th meeting. Please note that throughout this letter, we use the term "rates" to refer to the total cost of the plans without regard to the division of that cost between the City and plan members, whereas we use the term "contributions" to refer to the members' periodic (biweekly or monthly) share of plan cost.

In our opinion, the process was conducted in a thorough and rigorous manner. We believe that:

- The insured renewal rates and administrative fees presented by vendors to the City fairly represent the cost of the services that the vendors have agreed to provide.
- The accrual rates developed for self-funded components of the health benefit program — City Health Plan medical, pharmacy and dental claims for active employees, and trust fund expenses — represent our best estimate of these costs.
- Trust fund reserves as of the end of the 2005-06 plan year are expected to be sufficient to protect the Health Service trust fund against adverse claim experience.

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City Contributions Under the 10-County Survey

The City's contribution toward medical benefits is determined according to the City Charter and is based on a survey of contributions made by the ten most populous counties in California on behalf of County employees. The survey, conducted by HSS, determined that the average monthly contribution increased from $312.90 to $345.53 per employee, an increase of 10.4%.

City Health Plan

Claim experience, adjusted for changes in benefits and enrollment, dictated an 11.5% increase in the medical component of the City Health Plan and a 5.5% increase in the pharmacy component. Medical and pharmacy costs together resulted in a 9.8% increase in plan costs for active employees and non-Medicare retirees, and an 8.1% increase for Medicare retirees.

The administration fee paid to Uniprise to administer the City's claims increased by 5%, as agreed to under a three-year fee arrangement. At the same time, the expense charge applied to all HSS members was reduced from $1.00 to $0.50 to reflect the lower level of trust fund expenditure for administrative services.

The table below summarizes the changes in the full monthly cost for City Health Plan members before taking into account the effect of plan changes. Costs shown include expense and vision components, discussed further below.

City Health Plan — Change in Full Monthly Cost (Before Plan Changes)*

	2005-06	2004-05	Dollar Change	Percent Change
Employee Only	$548.09	$499.31	$48.78	9.8%
Employee + 1 Dependent	1,062.48	966.00	96.48	10.0%
Employee + 2 or more Dependents	1,483.37	1,346.34	137.03	10.2%
Retiree without Medicare	$1,043.96	$950.36	$93.60	9.8%
Retiree and Spouse without Medicare	1,558.35	1,417.05	141.30	10.0%
Retiree with Medicare	$409.77	$378.93	$30.84	8.1%
Retiree and Spouse with Medicare	795.39	734.34	61.05	8.3%

* Rates include medical, pharmacy, vision and expense components but do not reflect any trust fund subsidy. Plan changes are not reflected here, nor are member contributions

TOWERS PERRIN

The following changes were made to the City's Health Plan benefits:

- Medical plan changes
  - Plan deductible for Medicare enrollees was reduced to $140 such that the total deductible, including Medicare Part B, is $250, the same as for members without Medicare
  - Notification and/or pre-certification is now required on any durable medical equipment expense over $1,000 (previously $500)
  - Non-notification penalty fee was changed from an increased coinsurance amount to a flat $400
  - Medical care provided as a result of a dental accident is now covered if initial contact with provider is made within 72 hours (previously, treatment had to be received within 120 days of the accident)
  - Notification/pre-certification for United Behavioral Health is now required for in-network mental health/substance abuse providers only
  - Medicare enrollees' rates were reduced to reflect anticipated federal Medicare Part D subsidy provided for under Medicare Modernization Act, beginning January 1, 2006
- Pharmacy plan changes
  - Tier 2 prescription drugs that have a generic equivalent and are member requested, will have a copay that is the difference in cost between the brand drug and the generic drug *plus* the generic copay
  - Tier 3 prescription drugs that have a generic equivalent and are member requested, will have a copay that is the difference in cost between the brand drug and the generic drug *plus* the generic copay
- Vision plan changes
  - Vision coverage for all City Health Plan and HMO members (excluding Kaiser Senior Advantage members) will be provided by Vision Service Plan (VSP)

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The table below summarizes the effect of these plan changes on the full monthly cost for City Health Plan members:

City Health Plan — Effect of Plan Changes on Full Monthly Cost

	After Changes	Before Changes	Dollar Effect	Percent Effect
Employee Only	$546.98	$548.09	-$1.11	-0.2%
Employee + 1 Dependent	1,060.26	1,062.48	-2.22	-0.2%
Employee + 2 or more Dependents	1,479.88	1,483.37	-3.49	-0.2%
Retiree without Medicare	$1,041.50	$1,043.96	-$2.46	-0.2%
Retiree and Spouse without Medicare	1,554.78	1,558.35	-3.57	-0.2%
Retiree with Medicare	$394.42	$409.77	-$15.35	-3.7%
Retiree and Spouse with Medicare	764.69	795.39	-30.70	-3.9%

We project that as of June 30, 2005, trust fund reserves will exceed the target level required to meet the obligation for expected claims plus a margin to cover unanticipated events. The Health Service Board therefore approved the use of $14 million as a subsidy of City Health Plan rates, consistent with the methodology used in prior years. The table below shows the effect of this subsidy on the full cost of the City Health Plan:

City Health Plan — Effect of Trust Fund Subsidy on Full Monthly Cost

	After Subsidy	Before Subsidy	Dollar Effect	Percent Effect
Employee Only	$434.81	$546.98	-$112.17	-20.5%
Employee + 1 Dependent	835.92	1,060.26	-224.34	-21.2%
Employee + 2 or more Dependents	1,163.85	1,479.88	-316.03	-21.4%
Retiree without Medicare	$820.34	$1,041.50	-$221.16	-21.2%
Retiree and Spouse without Medicare	1,221.44	1,554.78	-333.34	-21.4%
Retiree with Medicare	$309.43	$394.42	-$84.99	-21.5%
Retiree and Spouse with Medicare	594.71	764.69	-169.98	-22.2%

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Contributions required of City Health Plan members — employees and retirees — were determined as dictated by the City Charter. The table below summarizes the changes in monthly contributions for employees covered under the City Health Plan, including the effect of rate changes, plan changes, and the trust fund subsidy. The table excludes any City contributions negotiated in addition to the 10-County Survey amount.

City Health Plan — Change in Monthly Contributions for Employees

	2005-06	2004-05	Dollar Change	Percent Change
Employee Only	$89.28	$119.65	-$30.37	-25.4%
Employee + 1 Dependent	490.39	519.57	-29.18	-5.6%
Employee + 2 or more Dependents	818.32	845.61	-27.29	-3.2%

The table below summarizes the changes in monthly contributions for retirees covered under the City Health Plan, including the effect of rate changes, plan changes and trust fund subsidy.

City Health Plan — Change in Monthly Contributions for Retirees

	2005-06	2004-05	Dollar Change	Percent Change
Retiree without Medicare	$44.64	$59.82	-$15.18	-25.4%
Retiree and Spouse without Medicare	245.19	259.78	-14.59	-5.6%
Retiree with Medicare	$5.54	$26.52	-$20.98	-79.1%
Retiree and Spouse with Medicare	148.18	178.86	-30.68	-17.2%

HMOs

As in previous years, three HMOs are offered to HSS members: Blue Shield, Health Net and Kaiser. The HMOs submitted the following renewal requests:

- Blue Shield requested a 16.66% increase for employees and non-Medicare retirees. Blue Shield initially requested a 0.00% increase for Medicare retirees, which was subsequently reduced to a 15.00% *decrease* through negotiations.
- Health Net initially requested a 16.94% increase for employees and non-Medicare retirees, which was subsequently reduced to a 14.7% increase through negotiations. Health Net requested a 1.69% *decrease* for Medicare retirees.
- Kaiser requested a 13.24% increase for employees, an 18.17% increase for non-Medicare retirees and a 3.14% increase for Medicare retirees.

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Representatives from the Health Service Board and HSS staff participated in the vendor negotiations conducted by Towers Perrin. We believe the final renewals to be justified by City employees' and retirees' utilization of services, and they are consistent with renewals of similar employers. The tables below summarize the changes in the full monthly cost for HMO members before taking into account the effect of plan changes:

HMOs — Change in Full Monthly Cost (Before Plan Changes)*

	2005-06	2004-05	Dollar Change	Percent Change
Blue Shield				
Employee Only	$335.77	$288.96	$46.81	16.2%
Employee + 1	671.06	576.92	94.14	16.3%
Employee + 2	948.60	815.39	133.21	16.3%
Retiree Non-Medicare Only	$695.30	$597.14	$98.16	16.4%
Retiree Non-Medicare + 1 Non-Medicare	1,030.59	885.10	145.49	16.4%
Retiree Medicare Only	$350.54	$412.11	-$61.57	-14.9%
Retiree Medicare + 1 Medicare	710.21	834.55	-124.34	-14.9%
Health Net				
Employee Only	$397.83	$344.25	$53.58	15.6%
Employee + 1	795.24	687.56	107.68	15.7%
Employee + 2	1,125.72	973.15	152.57	15.7%
Retiree Non-Medicare Only	$879.99	$760.12	$119.87	15.8%
Retiree Non-Medicare + 1 Non-Medicare	1,277.40	1,103.43	173.97	15.8%
Retiree Medicare Only	$333.60	$339.76	-$6.16	-1.8%
Retiree Medicare + 1 Medicare	666.70	678.52	-11.82	-1.7%
Kaiser				
Employee Only	$329.34	$292.10	$37.24	12.7%
Employee + 1	658.18	583.20	74.98	12.9%
Employee + 2	931.12	824.81	106.31	12.9%
Retiree Non-Medicare Only	$659.89	$559.64	$100.25	17.9%
Retiree Non-Medicare + 1 Non-Medicare	988.73	850.74	137.99	16.2%
Retiree Medicare Only	$316.92	$321.59	-$4.67	-1.5%
Retiree Medicare + 1 Medicare	633.34	642.18	-8.84	-1.4%

* Rates include medical, pharmacy, vision and expense components but do not reflect any trust fund subsidy. Plan changes are not reflected here, nor are member contributions

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For the 2005-06 plan year, the Health Service Board approved the following plan changes for the HMOs:

- Medicare eligible retirees enrolled in Health Net will be covered under Health Net's Medicare Advantage Plan, Seniority Plus
- Vision coverage for Kaiser members (excluding Senior Advantage) will be carved out to VSP
- Medicare enrollees' rates for Blue Shield members were reduced to reflect anticipated federal Medicare Part D subsidy provided for under Medicare Modernization Act of 2003, beginning January 1, 2006

The table below summarizes the effect of the HMO benefit changes on the full monthly cost for HMO members:

HMOs — Effect of Plan Changes on Full Monthly Cost

	After Changes	Before Changes	Dollar Effect	Percent Effect
Blue Shield				
Employee Only	$335.65	$335.77	-$0.12	0.0%
Employee + 1	670.82	671.06	-0.24	0.0%
Employee + 2	947.59	948.60	-1.01	-0.1%
Retiree Non-Medicare Only	$695.18	$695.30	-$0.12	0.0%
Retiree Non-Medicare + 1 Non-Medicare	1,030.35	1,030.59	-0.24	0.0%
Retiree Medicare Only	$332.07	$350.54	-$18.47	-5.3%
Retiree Medicare + 1 Medicare	673.27	710.21	-36.94	-5.2%
Health Net				
Employee Only	$397.71	$397.83	-$0.12	0.0%
Employee + 1	795.00	795.24	-0.24	0.0%
Employee + 2	1,124.71	1,125.72	-1.01	-0.1%
Retiree Non-Medicare Only	$879.87	$879.99	-$0.12	0.0%
Retiree Non-Medicare + 1 Non-Medicare	1,277.16	1,277.40	-0.24	0.0%
Retiree Medicare Only	$261.84	$333.60	-$71.76	-21.5%
Retiree Medicare + 1 Medicare	523.18	666.70	-143.52	-21.5%
Kaiser				
Employee Only	$329.34	$329.34	$0.00	0.0%
Employee + 1	658.18	658.18	0.00	0.0%
Employee + 2	931.12	931.12	0.00	0.0%
Retiree Non-Medicare Only	$659.89	$659.89	$0.00	0.0%
Retiree Non-Medicare + 1 Non-Medicare	988.73	988.73	0.00	0.0%
Retiree Medicare Only	$316.92	$316.92	$0.00	0.0%
Retiree Medicare + 1 Medicare	633.34	633.34	0.00	0.0%

TOWERS PERRIN

The Health Service Board also approved the use of $4 million as a subsidy of HMO dependent rates. The table below shows the effect of this subsidy on the full monthly cost for HMO members:

HMOs — Effect of Trust Fund Subsidy on Full Monthly Cost

	After Subsidy	Before Subsidy	Dollar Change	Percent Change
Blue Shield				
Employee Only	$335.65	$335.65	$0.00	0.0%
Employee + 1	661.71	670.82	-9.11	-1.4%
Employee + 2	930.95	947.59	-16.64	-1.8%
Retiree Non-Medicare Only	$695.18	$695.18	$0.00	0.0%
Retiree Non-Medicare + 1 Non-Medicare	1,021.24	1,030.35	-9.11	-0.9%
Retiree Medicare Only	$332.07	$332.07	$0.00	0.0%
Retiree Medicare + 1 Medicare	663.48	673.27	-9.79	-1.5%
Health Net				
Employee Only	$397.71	$397.71	$0.00	0.0%
Employee + 1	784.17	795.00	-10.83	-1.4%
Employee + 2	1,104.90	1,124.71	-19.81	-1.8%
Retiree Non-Medicare Only	$879.87	$879.87	$0.00	0.0%
Retiree Non-Medicare + 1 Non-Medicare	1,266.33	1,277.16	-10.83	-0.8%
Retiree Medicare Only	$261.84	$261.84	$0.00	0.0%
Retiree Medicare + 1 Medicare	516.11	523.18	-7.07	-1.4%
Kaiser				
Employee Only	$329.34	$329.34	$0.00	0.0%
Employee + 1	649.24	658.18	-8.94	-1.4%
Employee + 2	914.76	931.12	-16.36	-1.8%
Retiree Non-Medicare Only	$659.89	$659.89	$0.00	0.0%
Retiree Non-Medicare + 1 Non-Medicare	979.79	988.73	-8.94	-0.9%
Retiree Medicare Only	$316.92	$316.92	$0.00	0.0%
Retiree Medicare + 1 Medicare	624.64	633.34	-8.70	-1.4%

TOWERS PERRIN

Contributions for HMO members were determined according to the City Charter. The table below summarizes the changes in monthly contributions for employees, excluding any negotiated City contribution in addition to the 10-County Survey amount.

HMOs — Change in Monthly Contributions for Employees

	2005-06	2004-05	Dollar Change	Percent Change
Blue Shield				
Employee Only	$0.00	$0.00	$0.00	0.0%
Employee + 1 Dependent	326.06	281.23	44.83	15.9%
Employee + 2 or more Dependents	595.30	514.14	81.16	15.8%
Health Net				
Employee Only	$52.18	$31.35	$20.83	66.4%
Employee + 1 Dependent	438.64	366.61	72.03	19.6%
Employee + 2 or more Dependents	759.37	645.52	113.85	17.6%
Kaiser				
Employee Only	$0.00	$0.00	$0.00	0.0%
Employee + 1 Dependent	319.90	284.20	35.70	12.6%
Employee + 2 or more Dependents	585.42	520.08	65.34	12.6%

The table below summarizes the changes in monthly contributions for retirees.

HMOs — Change in Monthly Contributions for Retirees

	2005-06	2004-05	Dollar Change	Percent Change
Blue Shield				
Retiree Non-Medicare Only	$0.00	$0.00	$0.00	0.0%
Retiree Non-Medicare + 1 Non-Medicare	163.03	140.61	22.42	15.9%
Retiree Medicare Only	$0.00	$0.00	$0.00	0.0%
Retiree Medicare + 1 Medicare	165.70	206.25	-40.55	-19.7%
Health Net				
Retiree Non-Medicare Only	$26.09	$15.67	$10.42	66.5%
Retiree Non-Medicare + 1 Non-Medicare	219.32	183.30	36.02	19.7%
Retiree Medicare Only	$0.00	$0.00	$0.00	0.0%
Retiree Medicare + 1 Medicare	127.13	165.41	-38.28	-23.1%
Kaiser				
Retiree Non-Medicare Only	$0.00	$0.00	$0.00	0.0%
Retiree Non-Medicare + 1 Non-Medicare	159.95	142.10	17.85	12.6%
Retiree Medicare Only	$0.00	$0.00	$0.00	0.0%
Retiree Medicare + 1 Medicare	153.86	156.49	-2.63	-1.7%

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Vision Benefits

Members enrolled in any medical plan offered by HSS also receive vision benefits. For the 2004-05 plan year, all Kaiser members received vision benefits from Kaiser. All other medical plan enrollees receive vision benefits insured by Vision Service Plan (VSP). The cost of the vision benefit is a component of the cost of the medical plan and has been included in the rate exhibits above.

For the 2005-06 plan year, the Health Service Board approved several changes to the vision benefits. As of July 1, 2005, all medical plan enrollees will receive vision benefits insured by Vision Service Plan (VSP), with the exception of Kaiser Senior Advantage Medicare members, who will continue to receive vision benefits from Kaiser. VSP will be enhancing its benefits; the contact lens allowance will increase from $105 to $150, the frame allowance will increase from $120 to $130 and scratch resistant coatings will be covered in full.

In addition, VSP will offer a higher out-of-network schedule, as follows:

	Current	New
Single	$40	$45
Bifocal	$60	$65
Trifocal	$80	$85
Frame	$45	$55

The City and VSP have entered into an agreement with a two-year rate guarantee effective for the 24 month period ending June 30, 2007. The table below summarizes the VSP vision plan costs, including the effects of the renewal rating and the plan changes:

VSP Vision Plan — Change in Full Monthly Cost

	2005-06	2004-05	Dollar Change	Percent Change
All Members				
Member Only	$3.84	$3.96	-$0.12	-3.0%
Member + 1 Dependent	7.68	7.92	-0.24	-3.0%
Member + 2 or more Dependents	10.87	11.88	-1.01	-8.5%

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Dental Plans

Three dental plans are offered to HSS members: a DPO plan administered by Delta Dental and two prepaid plans, PMI and Pacific Union. The City pays the cost of dental benefits for employees, while retirees pay the full cost of their dental benefits.

The Delta Dental plan for active employees is self-insured, with future costs projected based on the City's claim experience. Delta Dental's fee for claim administration under this plan is guaranteed at $4.60 per covered employee per month through June 30, 2006.

The Delta Dental plan for retirees is fully insured. The Health Service Board approved a 0.0% increase in the plan's premium rates for 2005-06 and no change to the current benefits.

The PMI and Pacific Union dental plans for employees and retirees are also fully insured. The plans' rates will not change effective July 1, 2005 pursuant to a rate guarantee already in place, which is effective through June 30, 2006.

The table below summarizes the changes in cost for employees' dental benefits:

Dental Plans — Change in Full Monthly Cost for Active Employees

	2005-06	2004-05	Dollar Change	Percent Change
Delta Dental				
Employee Only	$63.34	$58.83	$4.51	7.7%
Employee + 1 Dependent	104.14	96.70	7.44	7.7%
Employee + 2 or more Dependents	156.58	145.41	11.17	7.7%
PMI				
Employee Only	$23.50	$23.50	$0.00	0.0%
Employee + 1 Dependent	38.77	38.77	0.00	0.0%
Employee + 2 or more Dependents	57.34	57.34	0.00	0.0%
Pacific Union				
Employee Only	$27.25	$27.25	$0.00	0.0%
Employee + 1 Dependent	45.00	45.00	0.00	0.0%
Employee + 2 or more Dependents	66.53	66.53	0.00	0.0%

TOWERS PERRIN

The City's per-employee contribution for dental benefits is based on the average cost of coverage for all employees. The monthly contribution for 2005-06 will be $108.60 per employee, an increase of $8.10 over the $100.50 contributed in 2004-05.

City retirees who elect dental benefits have three plans to choose from, although the benefits and rates differ from those for active employees. The table below summarizes the changes in cost for retirees' dental benefits:

Dental Plans — Change in Full Monthly Cost for Retirees

	2005-06	2004-05	Dollar Change	Percent Change
Delta Dental				
Retiree Only	$33.91	$33.91	$0.00	0.0%
Retiree + 1 Dependent	67.88	67.88	0.00	0.0%
Retiree + 2 or more Dependents	102.54	102.54	0.00	0.0%
PMI				
Retiree Only	$28.65	$28.65	$0.00	0.0%
Retiree + 1 Dependent	47.28	47.28	0.00	0.0%
Retiree + 2 or more Dependents	69.92	69.92	0.00	0.0%
Pacific Union				
Retiree Only	$16.15	$16.15	$0.00	0.0%
Retiree + 1 Dependent	26.67	26.67	0.00	0.0%
Retiree + 2 or more Dependents	39.43	39.43	0.00	0.0%

Rate Approval and Verification

Following the Health Service Board's approval of the plans, rates and contributions for 2005-06, several actions are being taken to minimize the potential for errors in employee communications and in plan administration:

- All vendors were asked to provide their signed acceptance of the rates to be used by HSS. These approvals will be kept on file by HSS staff.
- Towers Perrin will review the contribution tables to be included in the open enrollment communications that will be provided to employees and retirees.
- Towers Perrin is available to participate in the review of the rates to be entered into the City's BAFS system for use in calculating City contributions and vendor payments.

TOWERS PERRIN

Conclusion

We would be pleased to answer any questions that any interested parties may have about the information contained in this letter.

Sincerely,

Michael L. Kramer, FSA
Principal

cc: Members of the Health Service Board
Mr. Jeffrey Hildebrant — Health Service System
Ms. Molly Stump — Office of the City Attorney
Ms. Susanna Brown — Towers Perrin
Mr. Michael Hilton — Towers Perrin
Mr. Roland Mittica — Towers Perrin

Attachment II

Health and Dental Plan Options
FY 2005-2006

Changes in Health Benefit Costs FY 2005-2006 Budget	PROJECTED INCREASE IN GENERAL FUND COSTS
Charter contribution per employee - the 10 County Survey	$5,513,165
Retiree premium subsidy cost increase - Proposition E	9,988,443
Dependent health care premiums (Kaiser 75% index) - MOU provision	7,708,499
"Medically Single" premium subsidy - MOU provision	1,262,834
Dental Plan for Actives	1,153,997
TOTAL	$25,626,937

Use of Surplus Benefits All HSS Payors and Members

	Amount	Percent
Use of $1.0M in medical fund surplus to reduce Plan 1 rates		
City Enterprise Funds	$140,000	14%
School District and Community College District	200,000	20%
City General Fund	280,000	28%
Members Active and Retired	380,000	38%
Use of $1.0M in medical fund surplus to reduce HMO rates		
City Enterprise Funds	$150,000	15%
School District and Community College District	240,000	24%
City General Fund	330,000	33%
Members Active and Retired	280,000	28%

1:00 PM Budget and Finance Committee Meeting

Item 3 – File 04-1240

Department: Board of Supervisors

Item: Hearing to review the Board of Supervisors budget for FY 2005-2006.

Description: At the February 17, 2005 Finance and Budget Committee Meeting, the Committee requested that the Budget Analyst review the Board of Supervisors budget to make recommendations for changes to the FY 2005-2006 budget. The Board of Supervisors FY 2004-2005 total budget is currently $9,840,187, as shown below, of which $8,701,362 or 88.4 percent[1] is funded from General Fund monies. The table below compares the current FY 2004-2005 budget to the proposed FY 2005-2006 budget, as submitted by the Clerk of the Board:

Board of Supervisors Budget

	FY 2004-2005 Budget	FY 2005-2006 Budget*	Difference	Percent Reduction
Board of Supervisors	$3,882,091	$3,742,437	($139,654)	(3.5%)
Clerk of the Board	2,150,916	2,039,333	(111,583)	(5.2)
Office of Legislative Analyst	285,977	287,324	1,347	.5
Budget Analyst	2,003,291	1,503,291	(500,000)	(25.0)
Assessment Appeals Board	341,536	338,494	(3,042)	(.9)
Sunshine Ordinance Task Force	114,752	76,233	(38,519)	(33.6)
Youth Commission	193,884	196,270	2,386	1.2
Local Agency Formation Comm	386,415	342,946	(43,469)	(11.2)
Eastern Neighborhood Planning	481,325	0	(481,325)	-
Total	$9,840,187	$8,526,328	($1,313,859)	(13.3)

*As submitted to the Mayor's Budget Office by the Clerk of the Board of Supervisors.

[1] In FY 2004-2005, given the desire to audit the Public Utilities Commission (PUC) and to minimize the impact on the City's General Fund, $500,000 of the Budget Analyst's contract was paid for through a PUC workorder for the Budget Analyst to complete a management audit of the PUC. In addition, $481,325 of Building Inspection Fund revenues is included in the Board of Supervisors FY 2004-2005 budget to fund the Eastern Neighborhood Planning Initiative Project. Excluding these two exceptions, and minor revenue collections, the remainder of the Board of Supervisors budget is funded with General Fund revenues.

Mayor's Budget
Instructions for FY 2005-2006:

Since the Board of Supervisors budget is less than $20,000,000, the Mayor's FY 2005-2006 budget instructions are to absorb the 7.5 percent employee wage and benefit increases, which is calculated by the Controller's Office to be $314,815[2] with ongoing expenditure reductions or revenue increases. This (a) $314,815 reduction, coupled with (b) the elimination of the $481,325 one-time funding for the Eastern Neighborhood Planning Initiative Project, (c) the approximately $300,000 reduction for the additional Board of Supervisors salaries budgeted in FY 2004-2005 (see Section 2 below), (d) the $500,000 reduction in the Budget Analyst contract, coupled with various increases results in a total reduction of $1,313,859 from the $9,840,187 FY 2004-2005 budget to a FY 2005-2006 proposed budget of $8,526,328, as shown above, and as submitted to the Mayor's Office by the Clerk of the Board of Supervisors.

The Mayor's Office also instructed the Department to provide a prioritized contingency expenditure plan of an additional five percent reduction, or $426,316 (.05 x $8,526,328 = $426,316) on the reduced General Fund base of $8,526,328. As shown in Attachment I, the Clerk of the Board of Supervisors has identified this additional five percent contingency of $426,316 with general one-time reductions in staff, pending Board of Supervisors approval.

In addition, the Mayor's budget instructions request that (1) Departments propose one or more one-time budget enhancements that do not exceed five percent of the Department's General Fund support, which permit the Department to achieve long-term expenditure reductions or increased revenues, and (2) recommend State legislative changes that will improve the Department's budget. The Clerk of the Board has not submitted any one-time budget enhancements for FY 2005-2006. The Clerk of the Board has identified a proposed change to State Government Code Section 6000 regarding publications of legal advertisements in newspapers for official advertising. In addition, the Clerk of the Board is proposing a Charter Amendment (see Section 10 Official Advertising).

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[2] This $314,815 amount is based on the Board of Supervisors total salary costs of $4,785,230 which includes the increases approved for FY 2005-2006 less the salary baseline target of $4,470,415 that does not include the approved increases. Although the FY 2005-2006 budget will include these higher wage and benefit increases, the Departments are instructed to absorb these cost increases within their budgets.

Memo to Budget and Finance Committee
March 31, 2005 Budget and Finance Committee Meeting

Summary:

Based on the Budget Analyst's review of the proposed FY 2005-2006 budget for the Board of Supervisors, the Budget Analyst makes the following specific recommendations and policy considerations for the Board of Supervisors:

Issues/Recommendations	Amount	Comments
Board of Supervisors		
1. Land Use Appeal Fees and Surcharges	$60,000	Revenue Fee Ordinance Required
2. Board of Supervisors Salaries	300,000	Deducted from FY 2005-2006 Base
3. Legislative Accounts	20,000	Policy Decision
4. Unrestricted Parking Passes	0	Policy Decision
5. Memberships	25,000	Policy Decision
6. Immediate Fill Salary Requirement	40,000	No Funds included in FY 2005-2006 Budget
Clerk of the Board		
7. Copying and Duplication Revenues	4,000	Reduce Revenues
8. Deputy Director Comparison	21,552	Reduce to reflect DHR determination
9. Information Systems Staff Comparison	175,000	Policy Decision-delete two IT positions
10. Vacant Senior Clerk Typist Position	60,083	Delete one position
11. Executive Secretary Comparison & Turnover in Clerk's Staff	7,109 - 28,437	Policy Decision-review classification and compensation of 1454 Executive Secretary III
12. Official Advertising	83,000	Policy Decision-charge General Fund Depts; Charter Amendment; State law change
13. Additional Workorder Funds from Depts	284,920	Policy Decision-additional revenues from charging Enterprise & General Fund Depts.
14. Computer Equipment	25,050	Policy Decision
Legislative Tracking System	80,000 - 320,000	Policy Decision
Office of Legislative Analyst		
15. Office of Legislative Analyst	167,676	Policy Decision
Budget Analyst		
16. One-Time Recovery for PUC Audit	500,000	Policy Decision
17. One-Time Recovery for RPD Audit	115,000	Offset of Non-General Fund in FY 2005-2006
18. Absorbing Contractual Increase	73,521	Budget Analyst Recommendation
19. Budget Analyst & OLA	Dependent on #15	Policy Decision
20. Additional 5% & 10% Reductions	100,165 – 200,329	Policy Decisions
Assessment Appeals Board		
21. Assessment Appeals Board	3,042	Work Furloughs
Sunshine Ordinance Task Force		
22. Sunshine Ordinance Task Force	88,940	Delete one 1370 Special Assistant XI position
Youth Commission		
23. Youth Commission	2,386	Work Furloughs
Local Agency Formation Commission		
24. LAFCO	43,469	Reduction of salary and fringe benefits;
	342,946	Resolution to eliminate-Policy Decision
Eastern Neighborhood Planning Initiative Project		
25. Eastern Neighborhood Project	0	One-time funds in FY 2004-2005

The following sections in this report address each of the above summarized issues and recommendations within the nine Divisions in the Board of Supervisors budget and identify (a) revenue issues and potential enhancements, (b) expenditure issues and potential reductions and (c) other policy considerations for the Board of Supervisors.

Board of Supervisors

1. Land Use Appeal Fees and Surcharges: Prior to FY 2004-2005, the Department collected conditional use appeal fees of $275 per appeal, which resulted in a total collection of approximately $5,500 annually. In 2004, the Board of Supervisors eliminated this appeal fee (File 03-2026) and requested that the Clerk of the Board work with the Controller's Office to provide for 100 percent cost recovery through a combination of fees and surcharges to recover the costs for all land use appeals, such as conditional use, tentative subdivision maps, Negative Declarations and environmental reviews, that are brought before the Board of Supervisors. Currently, the Department of City Planning is undertaking a comprehensive fee analysis that will include a determination of such land use appeal fees and surcharges. Based on an analysis conducted in FY 2004-2005, approximately 43 such appeals were filed annually and were estimated to cost the Clerk and the Board of Supervisors $55,493. Currently, there are no fees being collected for any land use appeals that are appealed to the Board of Supervisors, thereby resulting in the General Fund paying for all of the costs of such appeals.

   The Budget Analyst recommends that the Board of Supervisors, in coordination with the Planning Department and the Controller's Office, approve a full cost recovery ordinance for appeal fees and surcharges on planning permits to fully offset the costs for all land use appeals, including conditional use, tentative subdivision maps, Negative Declarations and environmental reviews. Based on the previous analysis, this recommendation, if implemented, is estimated to result in an additional approximately $60,000 of revenue for FY 2005-2006.

2. Board of Supervisors Salaries: The annual salary for each 0720 Member of the Board of Supervisors is budgeted in the FY 2004-2005 budget at $112,320, or a total of $1,235,520 for the 11 Members. However, each Member is currently actually being paid an annual salary of $90,000 resulting in total annual salary costs of $990,000 for all 11 Members or $22,320 less per Member than currently budgeted. This is resulting in unexpended salary savings of $245,520 ($1,235,520 budgeted less $990,000 expense) in the current FY 2004-2005 budget.

Including fringe benefit savings on such unexpended salaries, results in total salary and fringe benefit savings of approximately $300,000 in the FY 2004-2005 budget. The Controller's Office has already deducted this amount as part of the base budget for FY 2005-2006, so that these funds cannot be taken as part of the savings for FY 2005-2006 required by the Mayor's budget instructions.

3. Legislative Accounts: Each Member of the Board of Supervisors currently has a $5,000 Legislative Account, with an additional $5,000 budgeted for the President of the Board, or a total of $60,000 for these Legislative Accounts in the FY 2004-2005 budget. In FY 2003-2004, a total of $42,000 was expended from these Accounts. As of January 28, 2005, a total of $15,305 has been expended from these Accounts, leaving a remaining balance of $44,695 for the balance of FY 2004-2005. The Budget Analyst considers reductions to these Legislative Accounts to be a policy matter for the Board of Supervisors.

4. Unrestricted Parking Passes: Currently, each of the Board of Supervisors Aides receives free unrestricted parking passes at the Performing Arts Garage, in accordance with a resolution approved by the Board of Supervisors in 1995 (File 47-95-2; Resolution No. 107-95). The Budget Analyst notes that this arrangement results in neither a direct expense in the Board of Supervisors budget, nor any revenue to the Department of Parking and Traffic, since there has historically been excess capacity in the Performing Arts Garage and the use of these spaces did not interfere with the income of the Garage. Mr. Scott Ruble of the Department of Parking and Traffic (DPT) advises that the Performing Arts Garage does not reach 100 percent capacity on most weekdays at this time, but often exceeds capacity in the evening when multiple performances occur at the Opera House, Herbst Theater and/or Symphony Hall. However, DPT is not able to estimate the amount of reduced parking revenues, if any, on DPT from providing such free unrestricted parking passes.

DPT advises that the Municipal Transportation Agency (MTA) Board has approved increases effective April 1, 2005 in the Performing Arts Garage for (a) unrestricted monthly parking from $200 to $225 per month and (b) restricted monthly parking, which is Monday to Friday from 6 a.m. to 7 p.m. from $150 to $175 per month. Based on these new rates, unrestricted parking passes for the 22 Supervisors Aides would cost $59,400 ($225 per month x 12 months x 22 Aides). In addition, DPT advises that although there is currently a discounted rate for City employees and departments of $100 per month, the MTA Board adopted new rates at its February 28, 2005 meeting, which will

eliminate any free or discounted parking privileges in all City garages. The only exception will be the free parking for the Board of Supervisors Aides, in accordance with the above-noted resolution. The Budget Analyst considers any changes to these free parking arrangements to be a policy matter for the Board of Supervisors. However, even if free parking privileges for Board Aides were eliminated, there may not be any additional revenues realized by the Performing Arts Garage, according to DPT.

5. Memberships: Currently, the Board of Supervisors FY 2004-2005 expenditures are $173,394 for memberships in the following four organizations:

Urban Counties Caucus	$25,000
California State Association of Counties	112,389
National League of Cities	20,951
National Association of Counties	15,054
Total	$173,394

The Board of Supervisors proposed FY 2005-2006 budget, as submitted to the Mayor's Office includes the cancellation of the Urban Counties Caucus membership, for an annual savings of $25,000. The Budget Analyst considers approval of this membership cancellation to be a policy matter for the Board of Supervisors.

6. Immediate Filling of Vacant Positions: On November 4, 2003, the Board of Supervisors approved a motion (File 03-1800) directing the Clerk of the Board to permit Board Members to immediately fill Board of Supervisor Legislative Assistant vacancies, even when the previous Legislative Assistants depart with accrued vacation balances or are on medical/family leave. This motion also directed the Clerk of the Board to provide appropriations as may be required to cover the costs of such temporary and/or permanent replacements. The Budget Analyst notes that surplus Board of Supervisors salary funds (see Section 2 above) are being used in FY 2004-2005 to cover the cost of immediately filling such vacancies. The Clerk of the Board estimates that approximately $40,000 will be needed to cover the costs of such vacation and family/medical leave pay. The proposed FY 2005-2006 budget does not include any funds for such purposes.

Clerk of the Board

7. Copying and Duplication Revenues: The Clerk of the Board's budget for FY 2004-2005 includes $5,000 of revenues from copying and duplication fees. However, based on the actual revenues received to

date, and projections through the end of the fiscal year, the Clerk will only receive approximately $1,000 of such revenue. This reduction in revenue primarily results from the significant increase in web-based information that can now be accessed by the public. The FY 2005-2006 budget should similarly reflect only $1,000 of anticipated revenue from this source, or $4,000 less than currently budgeted.

8. Deputy Director Comparison: The Board of Supervisors budget, which has a total of 67.72 FTEs[3], includes one 1376 Special Assistant XVII position, which functions as an Assistant Clerk to the Board, or Deputy Director. This 1376 Special Assistant XVII position is currently paid a maximum annual salary of $119,704. As shown in Attachment II, compiled by the Budget Analyst, City departments ranging in size from 23.54 FTEs to 85.27 FTEs have Deputy Director positions that pay a maximum annual salary ranging from $89,362 to $117,815, which is $30,342 to $1,889 less than the maximum annual salary paid to the Assistant Clerk of the Board. With fringe benefits, the annual cost differences are approximately $38,231 to $2,380.

As noted in Attachment II, the Adult Probation Department, with 116.36 FTEs which is significantly larger than the Board of Supervisors budget, does not have a Deputy Director position. In addition, the Asian Arts Museum with 62.41 FTEs does not have a Deputy Director and the Human Rights Commission with 45.75 FTEs eliminated its Deputy Director in FY 2003-2004 to achieve budgetary savings.

The Department of Human Resources (DHR), as part of their Management Compensation and Classification Program (MCCP) review determined that the 1376 Assistant Clerk of the Board should be reclassified to a 0952 Deputy Director II position, at an annual salary and fringe benefit savings of approximately $21,552. The Budget Analyst recommends that the Board of Supervisors reduce this position, as determined by DHR.

9. Information Systems Staff Comparison: In the Records and Information Management Division, there are currently 4.0 FTE Information Systems and Technology staff, at a total annual salary and fringe benefit cost of $385,491. This Division is supervised by the Records and Information Systems Manager, who is classified as a 1372 Special Assistant XIII. This Division also includes one 1023 Information Systems (IS) Administrator 3 and two 1022 Information

[3] There is a total of 67.72 FTEs in the entire Board of Supervisors budget, including 27.62 FTEs in the Clerk of the Board's Division.

Systems (IS) Administrator 2 positions that develop, support and maintain the computer data bases and systems for the Department.

As specifically requested by the Budget and Finance Committee, the Budget Analyst compared all City departments having employees in classifications 1022 and 1023 Information Systems Administrator positions. The results of this comparison are shown in Attachment III. This analysis found that, other than the Department of Telecommunications and Information Services (DTIS) wherein its Information Systems Administrators represent 7.245 percent of its total number of budgeted positions, the Clerk of the Board of Supervisors has the greatest proportional number of Information Systems Administrators in the City, with 4.43 percent of the total number of budgeted positions in the Department being Information Systems Administrator positions.

However, since there are numerous City classifications for computer-related positions, the Budget Analyst also conducted a broader comparative review of all City departments Computer, Information Technology and Systems positions[4]. Based on this broader comparison, the Clerk of the Board of Supervisors still has one of the largest proportional number of information systems staff. As shown in Attachment IV, the Clerk of the Board has the fourth highest percentage at 4.43 percent of IT positions in the City relative to the total number of budgeted positions in the Department, only after DTIS at 42.187 percent, the Controller's Office at 7.724 percent and the Department of Human Resources (DHR) at 4.515 percent. The Budget Analyst notes that all three of these Departments have significant City-wide information technology responsibilities, with (1) DTIS responsible for all of the City's information technology support services, (2) Controller responsible for all of the City's computerized financial, payroll, accounting and budget systems, and (3) DHR responsible for all of the City's hiring, seniority and personnel management systems.

The Clerk of the Board advises that a Records and Information Manager position was hired in 2000 in response to an audit that was conducted in FY 1999-2000. The Budget Analyst notes that the above comparative analysis does not include the Clerk of the Board's Records

[4] These Information Technology positions include the 1021 IS Administrator 1, 1022 IS Administrator 2, 1023 IS Administrator 3, 1024 IS Administrator 4, 1051 IS Business Analyst Assistant, 1052 IS Business Analyst, 1053 IS Business Analyst Senior, 1054 IS Business Analyst Principal, 1061 IS Programmer Analyst Assistant, 1062 IS Programmer Analyst, 1063 IS Programmer Analyst Senior, 1064 IS Programmer Principal, 1070 IS Project Director, 1071 IS Manager and 1073 IS Director.

and Information Manager position, which oversees the Records and Information Management Division, because that position is not classified as a computer or information systems position, but instead is a 1372 Special Assistant XIII. However, since this position performs direct records management and related information services activities, if this position were included in the analysis, the Clerk of the Board would have the third largest percentage of IT positions to total FTE budgeted positions, at 5.9 percent, only after DTIS at 42.187 percent and the Controller's Office at 7.724 percent.

Because the IT positions in the Clerk of the Board's Office have generally lower annual salaries than other IT positions in the City, the Budget Analyst conducted a further comparison of the salary costs for the IT positions in five City departments (Assessor/Recorder, City Attorney, Elections, Retirement System and Treasurer/Tax Collector), relative to the total salary costs in each of these five departments. These five City departments were selected because they have significant needs for information systems staff. This comparison found that the Clerk of the Board paid 6.24 percent of its total salaries for its four IT positions, which was relatively more than any of these five other City departments, as shown in Attachment V.

The Budget Analyst notes that even if the Clerk of the Board eliminated two of its four Information Technology positions, 2.95 percent of the overall staff would remain as information systems administrator type positions, which is still proportionally more than the Assessor/Recorder, City Attorney, Elections, Retirement System and Treasurer/Tax Collector, which are five City departments that have significant needs for information systems staff.

The Budget Analyst also notes that when one of the IS Administrator 2 1022 positions was created in 2000, it was intended to be a short term position with funds provided by a State loan program. A memorandum dated June 1, 2000 from the Assessor-Recorder to the Clerk of the Board stated that the "short term funding may dictate a temporary position" because the State loan program funds were only available for the next two fiscal years to compensate for salary and fringe benefits.

Given that (a) the funding was intended to be temporary to pay for one of the 1022 IS Administrator 2 positions, (b) the large percentage of Information Systems Administrator positions that are currently in the Clerk of the Board's Office relative to other City departments, (c) an increase of $25,000 in DTIS's workorder charges to the Board of Supervisors for FY 2005-2006 for general technical support and (d) the

City's projected General Fund shortfall for FY 2005-2006, the Budget Analyst recommends the Board of Supervisors consider, as a policy option since all of these are filled positions, the elimination of two of the Department's Information Services positions in FY 2005-2006 with the work reallocated among the two remaining positions. The deletion of the 1372 Special Assistant XIII position would result in a General Fund annual salary and fringe benefit savings of approximately $92,000. The deletion of the 1023 IS Administrator 3 position would result in a General Fund annual salary and fringe benefit savings of approximately $84,000. The deletion of the two 1022 IS Administrator 2 positions would result in a General Fund annual salary and fringe benefit savings of approximately $69,000 for each position.

10. <u>Vacant Senior Clerk Typist Position:</u> There is currently one vacant 1426 Senior Clerk Typist position in the Clerk of the Board's Office. This position has been vacant for over a year, due to an extended medical leave, with the employment terminated effective February of 2005. The salary and fringe benefits for this position are approximately $60,083. Given that this position has been vacant for over a year, and that the Department has $40,008 of Temporary Salary funds, which have been used for this position in the past, the Budget Analyst recommends that this vacant 1426 Senior Clerk Typist position be eliminated at this time and the responsibilities for this position be absorbed by the existing staff. This will result in a General Fund savings of approximately $60,083, without incurring a layoff.

11. <u>Turnover in Clerk's Staff:</u> The Budget and Finance Committee questioned the changes in employment and new hires in the Clerk of the Board's Office in FY 2004-2005. Ms. Gloria Young, the Clerk of the Board advises that there was a vacancy in her 1454 Executive Secretary III position (annual salary $67,912) due to the retirement of the previous employee. After posting the position and conducting interviews, Ms. Young promoted an existing 1426 Senior Clerk Typist (annual salary $47,685) to the Executive Secretary position. This promotion resulted in a vacancy in the 1426 Senior Clerk Typist position, for which Ms. Young advises she posted, interviewed and hired a Senior Clerk Typist from another City department.

As shown in Attachment VI, compiled by the Budget Analyst, City departments ranging in size from 23.54 FTEs to 85.27 FTEs have Executive Secretary positions that pay a maximum annual salary ranging from $45,343 to $62,270, which is $22,569 to $5,642 less than the $67,912 maximum annual salary paid to the Executive Secretary

to the Clerk of the Board. With fringe benefits, the annual cost differences are approximately $28,437 to $7,109.

Given the Board of Supervisors responsibility for the entire Board of Supervisors budget, including the Clerk of the Board's Division, the Budget Analyst recommends, as a policy consideration, that the Clerk of the Board notify the Board of Supervisors whenever there is a vacancy in any of the Divisions within the Board of Supervisors budget so that the Board can have input in determining whether hiring should be delayed or such positions be eliminated to achieve further budgetary savings.

12. Official Advertising: Official advertising expenses were budgeted in FY 2004-2005 at $66,000 but $88,000 or $22,000 more than budgeted has already been expended. Ms. Young estimates that advertising expenses will total $160,000 in FY 2004-2005, or $94,000 more than the $66,000 budgeted. Ms. Young advises that these higher than anticipated advertising expenses are due to (a) an increased number of Board Committee meetings from discontinuing the legislative week off, (b) more complicated fee advertising requirements and (c) an increased cost per line of advertising ($3.98 for Independent to $4.50 per line for Chronicle), effective December of 2004.

In accordance with a motion (File 04-1290) approved by the Board of Supervisors on September 21, 2004, the Clerk of the Board was authorized to carryforward $436,820 of unexpended appropriations from the FY 2003-2004 budget for replacement of the legislative tracking system. This motion also authorized the Clerk of the Board to reduce this $436,820 carryforward, if needed, by $100,000 to be used for additional official advertising expenses. This additional $100,000 of carryforward funding source could be used to make up the anticipated $94,000 shortfall in the Clerk of the Board's FY 2004-2005 advertising budget.

Section 27 of the FY 2004-2005 Annual Appropriation Ordinance (AAO) also authorizes the Board of Supervisors to collect funds from enterprise departments to place official advertising. Ms. Adele Destro of the Clerk of the Board's Office advises that she is currently charging both Enterprise Funded and General Funded Departments for special noticing and advertising. To date, the Department has received $1,130 from these departments. Ms. Destro anticipates receiving approximately $20,000 from this source for FY 2004-2005. The Budget Analyst questions the charging of General Fund Departments for such official advertising, which is not authorized by the AAO.

Based on current costs, the Clerk of the Board anticipates $170,000 of advertising expenses in FY 2005-2006. In order to provide future advertising, the Clerk of the Board is requesting a proposed change to (a) State Government Code Section 6000 regarding publications of official advertisements in public circulation newspapers, and (b) a Charter Amendment to reduce the official noticing requirements for the publishing of agendas and agenda summaries in public circulation newspapers. This State proposal would provide a comprehensive overhaul of the State mandated requirements for local jurisdictions to advertise in public circulation newspapers and provide more flexibility for lower-cost noticing on the Web, government cable channels, public places, and subscribing for notices on-line. San Francisco's Charter noticing requirements are currently more restrictive than the State's requirements and the proposed Charter Amendment would provide more flexible Web based and email notifications at significantly reduced costs.

According to the Clerk of the Board's Office, if the proposed Charter Amendment were approved, together with continued charging of City departments for special advertising requirements to recover approximately $20,000, the proposed FY 2005-2006 budget of $67,000 for official advertising would be sufficient for FY 2005-2006. However, the Budget Analyst notes that the FY 2005-2006 budget cannot be balanced on a prospective November of 2005 Charter Amendment, which may or may not be approved. Therefore, the official advertising budget has an approximately $83,000 shortfall in funding.

13. <u>Additional Workorder Funds from Departments:</u> In FY 2005-2006, Ms. Young advises that she is proposing to charge back the Clerk of the Board's costs including legislative tracking, noticing, agenda preparation, meeting and related costs to both Enterprise Fund and General Fund supported departments for Department's legislative requests. Under the revised budget, as reviewed by the Controller's Office, the Clerk is proposing to recover revenues of approximately $284,920, including $191,490 from General Fund supported departments and $93,430 from Enterprise Fund departments in FY 2005-2006 based on charging City departments $925 per agenda item and 308 agenda action items. Although this proposed charge back mechanism is legal based on discussions with Mr. Ted Lakey of the City Attorney's Office, the Budget Analyst questions the policy of the Clerk of the Board's Office charging other City departments for its general operations, particularly General Fund supported Departments.

For example, based on the data compiled by the Clerk of the Board's Office, the Department of Public Health introduced 42 or 20 percent of the 207 actions introduced by General Fund supported Departments in FY 2003-2004. Therefore, based on the proposed cost recovery proposal, the Clerk of the Board would charge DPH approximately $38,850 (42 agenda items x $925 per item) for such services. This would result in DPH having to cut $38,850 of existing General Fund supported services or raise an additional $38,850 of revenues in order to pay for the Clerk of the Board's operations. Similar reductions and revenue enhancements would be imposed on all City departments that submit legislation. Although such action would provide additional General Fund revenues for the Board of Supervisors budget, there would be a corresponding cost to the budgets of other Enterprise and General Fund supported departments, which has not been factored into these other departments FY 2005-2006 budgets. No new net funding in the City would occur under this proposal. The Budget Analyst considers approval of this revenue generating proposal to be a policy matter for the Board of Supervisors.

14. Equipment Requests: Although not included in the base budget request for FY 2005-2006, the Clerk of the Board is requesting $25,050 to purchase 49 replacement monitors, computers and laptops, including 25 monitors for the Board of Supervisors and 24 monitors for the Clerk of the Board, Assessment Appeals Board and the Youth Commission. Approval of these additional computer equipment requests are policy matters for the Board of Supervisors.

In addition, the Clerk of the Board is planning to replace the Department's Legislative Tracking System, which is estimated to cost $200,000 for Phase 1 and an additional $200,000 for Phase 2, for a total cost of $400,000. The Clerk of the Board estimates that approximately $320,000 of surplus funds will be available by the end of FY 2004-2005 to pay for this System. As noted above in Section 12 Official Advertising, these surplus funds are available from the initial $436,820 authorized (File 04-1290) to be carried forward from the FY 2003-2004 budget for such purposes. Approximately $80,000 ($400,000 total cost less $320,000 available funds) of additional funds would be needed to complete the replacement of this System, which is not included in the proposed FY 2005-2006 budget. Reappropriation of the $320,000 and/or approval of $80,000 of additional funds are policy matters for the Board of Supervisors.

Office of Legislative Analyst Division

15. On March 30, 2004, the Board of Supervisors approved a motion (File 03-1508) directing the Office of Legislative Analyst (OLA) to support the Chairs of the Standing Committees of the Board of Supervisors, including providing analysis and information on pending legislation and responding to public inquiries on legislative matters. Using one-time Airport revenues of $154,540 that the Budget Analyst recovered for the General Fund from conducting the audit of the Airport's Airfield Development Bureau's Runway Project, the OLA staffing was increased from two FTE to four FTE positions in November of 2004. The OLA is currently fully staffed with four FTEs, including one 1371 Special Assistant XII and three 1367 Special Assistant VIII positions, at an annualized salary and fringe benefit cost of approximately $423,000.

However, the FY 2004-2005 budget for the OLA is currently only $285,977, or $137,233 less than the $423,210 current costs to fund this Division on an annual basis. As noted above, (a) $154,540 recovered for the General Fund from the Budget Analyst's audit of the Airport, (b) an additional $30,000 of carryforward funds from FY 2003-2004, and (c) the Board of Supervisors surplus salary funds in the FY 2004-2005 budget, will provide sufficient additional salary and fringe benefit funds to cover the costs of the additional OLA staff for FY 2004-2005. However, for FY 2005-2006, a total of only $287,324 is currently budgeted for the OLA Division. The annualized costs for the OLA are anticipated to increase in FY 2005-2006 to approximately $455,000.

Given that there is now full staffing in the OLA's Office, reductions of approximately $167,676 ($455,000 projected costs less $287,324 proposed budget) would be required within this Division unless reductions are made in other Board of Supervisors Divisions. The Clerk of the Board has not made specific recommendations regarding how such reductions of approximately $167,676 would be imposed. Given that such significant reductions are currently assumed in the FY 2005-2006 budget for the OLA, the Budget Analyst considers approvals of these reductions to be a policy matter for the Board of Supervisors.

The Budget and Finance Committee requested that the Budget Analyst review the Budget Analyst's ability to absorb the responsibilities of the OLA, which is addressed in Section 19 below.

Budget Analyst

16. <u>One-Time Recovery for PUC Audit in FY 2004-2005:</u> As noted in Section 15 above, the Budget Analyst recovered $154,540 of one-time

General Funds from the Airport for the 2003 management audit of the Airfield Development Bureau, which is being used to offset FY 2004-2005 costs for the OLA. The Budget Analyst's total contract costs in FY 2004-2005 are $2,003,291. As noted above, given the Board of Supervisors policy decision to audit the Public Utilities Commission and to minimize the impact on the City's General Fund in FY 2004-2005 when the City faced a $300 million General Fund shortfall, $500,000 of the Budget Analyst's total contract costs were paid by the PUC to cover the costs of that management audit, with the remaining $1,503,291 funded by the City's General Fund.

As noted in the City's March 21, 2005 Three-Year General Fund Budget Projection, FY 2005-2006 through FY 2007-2008 Report, this $500,000 workorder recovery from the PUC was a one-time recovery. Therefore, the $500,000 of General Fund revenues should have been restored in the Board of Supervisors base budget for FY 2005-2006. The Budget Analyst notes that the Clerk of the Board's proposed FY 2005-2006 budget only contains the $1,503,291 General Fund portion of the Budget Analyst's contract with no funding source identified for the remaining $500,000 contract amount to conduct management audits.

If the Board of Supervisors FY 2005-2006 budget is approved as currently drafted, it would result in a reduction of $500,000 or 25 percent of the Budget Analyst services. This is a policy decision for the Board of Supervisors. However, such a reduction could potentially eliminate all management audit services and all special projects currently provided by the Budget Analyst's Office or result in elimination of the annual Budget Review and/or significant reductions in the legislative reports provided to the Committees of the Board of Supervisors, depending on the policy priorities of the Board of Supervisors.

17. <u>One-Time Recovery for RPD Audit in FY 2005-2006:</u> The Recreation and Park Department (RPD) is the next audit on the Budget Analyst's schedule of management audits, as previously authorized by the Board of Supervisors. Although the RPD is primarily a General Fund Department, approximately 38.4 percent of RPD's FY 2004-2005 budget is funded from Open Space Funds, and other non-General Fund sources that could potentially be used to offset a portion of the cost of the Budget Analyst's FY 2005-2006 management audit. Based on an estimated cost of approximately $300,000 to complete the RPD audit, approximately $115,000 of such costs could be charged to RPD's non-General Fund sources.

18. Absorbing Contractual Increase: In accordance with the existing provisions of the Budget Analyst contract, as previously approved by the Board of Supervisors, the Budget Analyst's compensation is indexed to changes in total compensation for the employee bargaining unit performing similar work, i.e. Local 21, the International Federal of Professional and Technical Engineers. Local 21 employees will receive two percent salary increases on November 5, 2005, May 6, 2006 and June 30, 2006 and a 2.5 percent pickup of the employees retirement costs for an overall annualized increase of approximately 3.67 percent in FY 2005-2006. Therefore, in FY 2005-2006, the Budget Analyst's contract should increase by 3.67 percent, or $73,521.

The Budget Analyst notes that given the General Fund projected shortfall for FY 2005-2006, we recommend that the Budget Analyst absorb this $73,521 increase within the existing contract, with no reduction in Budget Analyst services provided to the Board of Supervisors. If this recommendation is approved by the Board of Supervisors, this would be the fourth year that the Budget Analyst did not receive an increase or absorbed a reduction in the existing contract.

19. Budget Analyst and Office of the Legislative Analyst: The Budget and Finance Committee requested that the Budget Analyst respond to the Committee regarding its ability to absorb the responsibilities of the OLA. The Budget Analyst notes that the existing staff in the Budget Analyst's Office have the education, background, experience and capabilities to provide the type of policy and legislative services provided by the OLA. However, in order for the Budget Analyst to actually perform these duties, the Budget Analyst would need to commensurately reduce its current workload or retain additional staff or funding to provide such additional OLA responsibilities. As noted above, the projected annual costs to currently fund the four OLA staff is approximately $455,000, although the OLA Division is currently funded for only $287,324,

20. Additional Five and Ten Percent Reductions: The Budget and Finance Committee requested that the Budget Analyst identify the impacts on the Budget Analyst's contract of a five percent and ten percent contract reduction. Given that the Budget Analyst is recommending to absorb the cost-of-living adjustment of 3.67 percent, or $73,521, and still provide the Board of Supervisors with the same level of services, an additional five or ten percent reduction in the Budget Analyst contract, would necessitate a corresponding reduction in the level of services provided to the Board of Supervisors. A five

percent reduction would result in a savings of $100,165, and a ten percent reduction would result in a savings of $200,329. However, such reductions would commensurately reduce Budget Analyst services as determined by the priorities of the Board of Supervisors. For example, a five percent reduction or $100,165 would result in approximately a 20 percent reduction in the management audit and special project services provided by the Budget Analyst, which typically cost approximately $500,000 annually, A ten percent reduction, or $200,329 would result in approximately a 40 percent reduction in the management audit and special project services provided by the Budget Analyst. Alternatively, such five and ten percent reductions could directly reduce legislative analysis and budget review work or some combination of all of the services provided by the Budget Analyst.

Assessment Appeals Board

21. As noted above, the FY 2004-2005 budget for the Assessment Appeals Board is $341,536, including 1.0 FTE 4294 Administrator and 2.0 FTE 1426 Senior Clerk Typist positions. The FY 2004-2005 budget also includes a total of $135,000 of anticipated filing and hearing fee and finding of fact revenues for the Assessment Appeals Board, or approximately 39.5 percent cost recovery, with the remainder paid by the City's General Fund. When queried about increasing these fees to make the Assessment Appeals Board on a full cost recovery basis, Ms. Dawn Duran advises that she is hesitant to increase these fees since San Francisco is the only City or County in the State that currently charges any filing and hearing fees, and the City has been threatened with legal action for charging the current fees.

As shown above, the Assessment Appeal Board would be reduced by $3,042 from the current FY 2004-2005 budget, not including the $17,379 cost of additional pay and benefit increases that will need to be absorbed in the FY 2005-2006 budget. Given the limited staffing and funds available, if the workload permits, the Assessment Appeal Board should consider work furloughs for the three staff.

Sunshine Ordinance Task Force

22. As noted above, the FY 2004-2005 budget for the Sunshine Ordinance Task Force is $114,752, including one 1370 Special Assistant XI at a maximum annual salary of $78,613. Currently, this one position is vacant. According to Section 67.31 of the City's Administrative Code, the Clerk of the Board must provide the equivalent of a full-time staffperson for the Sunshine Ordinance Task Force functions, such that these responsibilities are now being assumed by existing staff in the Clerk of the Board's Office.

As shown above, this Division is proposed to be reduced by $38,519. The Budget Analyst recommends that, given that there is an existing vacant 1370 Special Assistant XI position in this Division, this position be eliminated in the FY 2005-2006 budget with the responsibilities permanently reallocated to staff in the Clerk of the Board's Office. The Budget Analyst estimates that this reallocation would result in an annual General Fund savings of approximately $88,940, including fringe benefits.

Youth Commission

23. In accordance with Charter Section 4.125, the Youth Commission is required to be under the jurisdiction of the Board of Supervisors. The FY 2004-2005 budget for the Youth Commission is $193,884, including 1.0 FTE 1130 Executive Director and 2.0 FTE 1362 Youth Coordinator positions. As shown above, a reduction of $2,386 is proposed for this Division, not including the $8,850 cost of the additional pay and benefit increases that will need to be absorbed in the FY 2005-2006 budget. Given the limited staffing and funds available, if the workload permits, the Youth Commission should consider work furloughs for the three staff.

LAFCO

24. The San Francisco Local Agency Formation Commission (LAFCO) was created in 2000. LAFCO's FY 2004-2005 budget is currently $386,415. As shown above, the Clerk of the Board is proposing a reduction of $43,469, which has been approved by LAFCO for FY 2005-2006. This reduction is based primarily on reductions of salary and fringe benefits for one 0.5 FTE Clerk position that previously prepared agendas and attended meetings, with such responsibilities absorbed by the Clerk of the Board's Office.

The Budget Analyst notes that through the end of January of 2005, or after approximately 58 percent of the fiscal year has elapsed, a total of only $66,870 was expended by LAFCO, or 17.3 percent of the total FY 2004-2005 budget of $386,415. Most of this underspending is because LAFCO has not expended any of the $281,070 budgeted for professional and special feasibility studies. The Clerk of the Board advises that these funds have not been expended because LAFCO recently issued a Request for Proposal (RFP) and received one proposal for $1.2 million to conduct a major study of Pacific Gas and Electric's assets.

Currently, there is a proposed resolution (File 05-0301) that is pending in the Rules Committee urging the California Legislature to eliminate LAFCO entirely. Under State law, only the California Legislature can eliminate LAFCO and the City and County of San Francisco must continue to fund LAFCO as long as it remains in existence, In response to additional potential reductions in LAFCO, the Clerk of the Board advises that, in accordance with State Government Code, LAFCO's budget is determined solely by LAFCO and neither the Mayor nor the Board of Supervisors can impose reductions on LAFCO. If the proposed resolution (File 05-0301) is approved and the State Legislature eliminates LAFCO, it would result in an additional direct General Fund savings of $342,946, the amount proposed for FY 2005-2006. Approval of the pending proposed resolution is a policy decision for the Board of Supervisors.

Eastern Neighborhood Planning Initiative Project: 25. Currently, $481,325 is included in the Board of Supervisors FY 2004-2005 budget for the Eastern Neighborhood Planning Initiative Project. According to Mr. Dean Macris of the Planning Department, as of January 1, 2005, the Planning Department contracted with an outside consultant to undertake a full-scale Environmental Impact Report (EIR) of the eastern neighborhoods of the City. Mr. Macris advises that this EIR is estimated to cost $800,000 and the draft EIR is scheduled to be completed by December of 2005. The Department of City Planning budgeted $350,000 in their FY 2004-2005 budget, which together with the Board of Supervisors $481,325 provides a total of $831,325 to complete the EIR study. Since these are one-time funds in the Board of Supervisors budget, such funds are not anticipated to recur in FY 2005-2006.

Conclusion: The Budget Analyst notes, based on our familiarity with the Board of Supervisors budget, that limited opportunities exist to achieve significant budgetary savings without impairing the Board's ability to function as the legislative body of the City. To achieve significant savings, layoffs of staff would undoubtedly be required, which would weaken support services provided to the Board of Supervisors. Expenditure reductions of the magnitude requested by the Mayor's budget policy guidelines are therefore difficult given the mandates of the Board of Supervisors.

When faced with such severe budget instructions, many City Departments are able to do so by reducing or discontinuing discretionary services. The Board of Supervisors does not have that option to a great extent. The Budget Analyst further notes that the recent reductions to the Mayor's Office budget have been accomplished largely through the transfer of functions to other

City departments, such as the Tourism Events and Film Office, the Grants for the Arts program and, in prior years, the formation of a separate Department of Economic Development (now named the Economic and Workforce Development Department). The Board of Supervisors does not have similar opportunities to reduce its budget through transfers of functions.

As a consequence of the limitations described above, the vast majority of the recommendations presented in this report are policy options for the consideration of the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Daly
Supervisor Elsbernd
Supervisor Ma
Supervisor McGoldrick
President Peskin
Supervisor Alioto-Pier
Supervisor Dufty
Supervisor Maxwell
Supervisor Mirkarimi
Supervisor Sandoval
Clerk of the Board
Controller
Erin McGrath
Ted Lakey
Cheryl Adams

Budget Form 6: Contingency Summary Form
DEPARTMENT NAME:

Reduction Priority:	Summary of Potential Reduction & Service Impacts	One-Time or Ongoing?	Reduction Amount
1	Reduction in staff will impact service delivery of mandated services. (Pending Board Approval)	One Time	142,105
2	Reduction in staff will impact service delivery of mandated services. (Pending Board Approval)	One Time	142,105
3	Reduction in staff will impact service delivery of mandated services. (Pending Board Approval)	One Time	142,106
	Total Reductions:		426,316

Attachment II

Department	Total Department FTE	Deputy Director or Assistant Director Position	Weekly Salary	Annual Salary at Step 5
Adult Probation	116.36	none		
Retirement Services*	85.27	1113 Deputy Director	$3,714-4,514	$ 117,815
Board of Supervisors	67.72	1376 Assistant Clerk of the Board	3,788-4,604	119,704
Fine Arts Museum	65.19	3587 Deputy Director	3,234-3,931	102,599
Asian Art Museum	62.41	none		
Department of the Environment	57.67	0952 Deputy Director II	2,969-3,979	103,454
Human Rights Commission	45.75	none		
Elections**	44.01	0952 Deputy Director II	2,969-3,979	103,852
Rent Arbitration Board	31.09	1107 Deputy Director	2,902-3,527	92,055
Children, Youth and Their Families	29.34	0952 Deputy Director II	2,969-3,979	103,454
Arts Commission	23.54	0951 Deputy Director I	2,564-3,437	89,362

*Retirement has a second deputy director: 1117 Deputy Director for Investments with a weekly salary range of $7,720 - 9,383 and a Step 5 maximum salary of $243,958.

**Elections has a second deputy director: 0951 Deputy Director I with a weekly salary range of $2,564-3,437 and a Step 5 maximum salary of $89,362.

ept	Dept Title	FTE positions	1021 IS Admin 1	1022 IS Admin 2	1023 IS Admin 3	Total1021 + 1022 + 1023 positions	Percentage of 1021/22/23 positions in total Department position count
AM	Asian Art Museum	65.35	0.00	0.00	0.00	0.00	0.000%
AM	Administrative Services	408.25	1.00	1.00	1.00	3.00	0.735%
AP	Adult Probation	116.36	0.00	0.00	0.00	0.00	0.000%
A	Airport Commission	1,447.11	9.00	4.00	1.00	14.00	0.967%
AT	Art Commission	23.54	0.00	0.00	0.00	0.00	0.000%
AR	Assessor/Recorder	131.60	0.00	0.00	2.17	2.17	1.649%
BS	**Board of Supervisors**	**67.72**	**0.00**	**2.00**	**1.00**	**3.00**	**4.430%**
CT	City Attorney	329.79	0.00	2.00	1.17	3.17	0.961%
CC	Children and Families Coalition	10.00	0.00	0.00	0.00	0.00	0.000%
CF	Children, Youth and Their Families	29.34	0.00	0.00	0.00	0.00	0.000%
CN	Controller	190.97	0.00	0.00	1.00	1.00	0.524%
CC	City Planning	140.41	0.00	0.00	1.00	1.00	0.712%
CT	Trial Courts	18.99	0.00	0.00	0.00	0.00	0.000%
CC	Civil Service Commission	6.05	0.00	0.00	0.00	0.00	0.000%
CS	Child Support Services	155.34	0.00	0.00	2.00	2.00	1.287%
CP	Clean Water	415.84	0.00	0.00	1.00	1.00	0.240%
DT	District Attorney	258.29				0.00	0.000%
DI	Department of Building Inspection	278.27	0.00	1.00	0.00	1.00	0.359%
DH	Public Health	6,469.50	14.17	16.34	6.00	36.51	0.564%
DT	Municipal Railway	4,308.53	0.17	3.17	5.00	8.34	0.194%
DW	Public Works	1,453.91	2.00	1.00	2.00	5.00	0.344%
DS	Human Services	1,856.41	0.00	1.00	4.00	5.00	0.269%
ED	Emergency Communications Department	257.02	0.00	1.00	0.00	1.00	0.389%
EN	Business and Economic Development	13.42	0.00	0.00	0.00	0.00	0.000%
EV	Environment	57.67	1.00	0.00	0.00	1.00	1.734%
EH	Ethics Commission	11.85	0.00	0.00	0.00	0.00	0.000%
FM	Fine Arts Museum	68.25	0.00	0.00	0.00	0.00	0.000%
F.	Fire Department	1,848.22	0.00	0.00	2.00	2.00	0.108%
HP	Hetch Hetchy	233.82	1.00	1.00	0.00	2.00	0.855%
HC	Human Rights Commission	45.75	0.00	0.00	0.00	0.00	0.000%
HD	Human Resources	188.27	0.00	2.00	0.00	2.00	1.062%
JV	Juvenile Probation	277.94	0.00	0.17	1.00	1.17	0.421%
LB	Public Library	647.56	0.00	7.50	0.00	7.50	1.158%
LB	Law Library	3.00	0.00	0.00	0.00	0.00	0.000%
MR	Mayor	128.17	0.00	1.00	1.00	2.00	1.560%
PB	Permit Appeals	4.60	0.00	0.00	0.00	0.00	0.000%
PR	Public Defender	145.32	0.00	0.00	1.00	1.00	0.688%
PL	Police	2,950.93	0.00	0.25	1.25	1.50	0.051%
PT	Port	231.19	0.00	0.00	1.17	1.17	0.506%
PC	Parking and Traffic Commission	682.21	0.00	1.00	1.00	2.00	0.293%
PC	Public Utilities Commission	865.56	0.00	3.00	6.00	9.00	1.040%

Dept	Dept Title	FTE positions	1021 IS Admin 1	1022 IS Admin 2	1023 IS Admin 3	Total1021 + 1022 + 1023 positions	Percentage of 1021/22/23 positions in total Department position count
REC	Recreation and Park Commission	1,148.81	0.00	2.00	1.00	3.00	0.261%
REG	Registrar	44.01	0.00	0.00	0.00	0.00	0.000%
RET	Retirement System	85.27	0.00	0.00	1.00	1.00	1.173%
RNT	Rent Arbitration Board	31.09	0.00	0.00	0.00	0.00	0.000%
SCI	Academy of Sciences	6.00	0.00	0.00	0.00	0.00	0.000%
SHR	Sheriff	1,017.10	0.00	0.00	0.00	0.00	0.000%
TIS	Telecom and Info Services	303.65	0.00	18.00	4.00	22.00	7.245%
TTX	Treasurer/ Tax Collector	208.31	1.00	0.00	1.00	2.00	0.960%
TXC	Taxi Commission	5.83	0.00	0.00	0.00	0.00	0.000%
USD	SF Unified School District	11.00	0.00	0.00	0.00	0.00	0.000%
WAR	War Memorial	99.62	0.00	0.00	0.00	0.00	0.000%
WOM	Comm on the Status of Women	6.83	0.00	0.00	0.00	0.00	0.000%
WTR	Water Department	600.62	0.00	0.00	0.00	0.00	0.000%

Dept	Dept Title	FTE positions	Total 1021, 1022, 1023, 1024, 1051,1052, 1053, 1054, 1061, 1062, 1063, 1064, 1070, 1071, 1073 positions	Percentage of 1021/22/23/24/51/52/53/54/61/62/63/64/70/71/73 positions in total Department position count
AAM	Asian Art Museum	65.35	0.00	0.000%
ADM	Administrative Services	408.25	5.00	1.225%
ADP	Adult Probation	116.36	1.00	0.859%
AIR	Airport Commission	1,447.11	36.25	2.505%
ART	Art Commission	23.54	0.00	0.000%
ASR	Assessor/Recorder	131.60	3.17	2.409%
BOS	Board of Supervisors	67.72	3.00	4.430%
CAT	City Attorney	329.79	5.17	1.568%
CFC	Children and Families Coalition	10.00	0.00	0.000%
CHF	Children, Youth and Their Families	29.34	1.00	3.408%
CON	Controller	190.97	14.75	7.724%
CPC	City Planning	140.41	3.17	2.258%
CRT	Trial Courts	18.99	0.00	0.000%
CSC	Civil Service Commission	6.05	0.00	0.000%
CSS	Child Support Services	155.34	2.00	1.287%
CWP	Clean Water	415.84	1.00	0.240%
DAT	District Attorney	258.29	1.00	0.387%
DBI	Department of Building Inspection	278.27	7.75	2.785%
DPH	Public Health	6,469.50	120.82	1.868%
DPT	Municipal Railway	4,308.53	26.68	0.619%
DPW	Public Works	1,453.91	20.00	1.376%
DSS	Human Services	1,856.41	32.00	1.724%
ECD	Emergency Communications Department	257.02	3.00	1.167%
ECN	Business and Economic Development	13.42	0.00	0.000%
ENV	Environment	57.67	1.00	1.734%
ETH	Ethics Commission	11.85	0.00	0.000%
FAM	Fine Arts Museum	68.25	0.00	0.000%
FIR	Fire Department	1,848.22	3.00	0.162%
GEN	General City Responsibility	3.50	3.50	100.000%
HHP	Hetch Hetchy	233.82	3.00	1.283%
HRC	Human Rights Commission	45.75	0.00	0.000%
HRD	Human Resources	188.27	8.50	4.515%
JUV	Juvenile Probation	277.94	3.92	1.410%
LIB	Public Library	647.56	8.50	1.313%
LLB	Law Library	3.00	0.00	0.000%
MYR	Mayor	128.17	3.00	2.341%
PAB	Permit Appeals	4.60	0.00	0.000%
PDR	Public Defender	145.32	1.00	0.688%
POL	Police	2,950.93	6.00	0.203%
PRT	Port	231.19	6.34	2.742%
PTC	Parking and Traffic Commission	682.21	2.00	0.293%
PUC	Public Utilities Commission	865.56	38.00	4.390%
REC	Recreation and Park Commission	1,148.81	5.00	0.435%
REG	Registrar	44.01	1.00	2.272%
RET	Retirement System	85.27	1.00	1.173%
RNT	Rent Arbitration Board	31.09	0.00	0.000%
SCI	Academy of Sciences	6.00	0.00	0.000%
SHR	Sheriff	1,017.10	0.00	0.000%
TIS	Telecom and Info Services	303.65	128.10	42.187%
TTX	Treasurer/ Tax Collector	208.31	3.00	1.440%
TXC	Taxi Commission	5.83	0.00	0.000%
USD	SF Unified School District	11.00	0.00	0.000%
WAR	War Memorial	99.62	0.00	0.000%
WOM	Comm on the Status of Women	6.83	0.00	0.000%
WTR	Water Department	600.62	1.00	0.166%

Dept	Dept Title	FTE positions	FTE Salaries	Total 1021, 1022, 1023, 1024, 1051.1052, 1053, 1054, 1061, 1062, 1063, 1064, 1070, 1071, 1073 salaries	Percentage of 1021/22/23/24/51/52/53/54/61/62/63/64/70/71/73 positions in total Department position count
ASR	Assessor/Recorder	131.60	5,859,336	$263,230	4.492%
BOS	**Board of Supervisors**	**67.72**	**4,900,517**	**$305,944**	**6.243%**
CAT	City Attorney	329.79	31,761,051	$447,026	1.407%
REG	Elections	44.01	2,363,686	$99,363	4.204%
RET	Retirement System	85.27	5,987,512	$81,745	1.365%
TTX	Treasurer/ Tax Collector	208.31	11,275,357	$137,078	1.216%

Department	Total Department FTE	Secretary to the Department Head	Weekly Salary	Annual Salary at Step 5
Retirement Services	85.27	1452 Executive Secretary II	1,970-2,395	62,270
Board of Supervisors	67.72	1454 Executive Secretary III	2,140-2,602	67,912
Fine Arts Museum	65.19	Not a City employee, funded by the foundation		
Asian Art Museum	62.41	Not a City employee, funded by the foundation	1,744	45,343
Department of the Environment	57.67	1842 Management Assistant	1,960-2,383	61,958
Human Rights Commission	45.75	1452 Executive Secretary II	1,970-2,395	62,270
Elections	44.01	None		
Rent Arbitration Board	31.09	None		
Children, Youth and Their Families	29.34	1446 Secretary II	1,658-2,014	52,364
Arts Commission	23.54	1452 Executive Secretary II	1,970-2,395	62,270

City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Members: Tom Ammiano, Chris Daly, Sean Elsbernd, Fiona Ma, Jake McGoldrick

Clerk: Gail Johnson

Thursday, April 07, 2005 **1:00 PM** **City Hall, Legislative Chamber, Room 250**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

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AGENDA CHANGES

REGULAR AGENDA

1. **050307** **[Budget Updates]**

Supervisor Ammiano

Hearing to consider budget updates from the Mayor, Controller, Budget Analyst, Office of Legislative Analyst and City Departments.

2/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

3/17/05, CONTINUED. Heard in Committee. Speakers: Noelle Simmons, Mayor's Budget Office; Ken Bruce, Budget Analyst's Office.
Continued to March 24, 2005.

3/24/05, CONTINUED. Heard in Committee. Speaker: Monique Zmuda, Deputy Controller.
Continued to March 31, 2005.

3/31/05, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

2. 050347 **[Overtime expenditures and practices of General Fund Departments for fiscal year 2004-2005]**
Supervisor McGoldrick
Hearing to inquire into the overtime expenditures and practices of General Fund Departments for fiscal year 2004-2005 and to consider the implementation of an overtime reduction plan among such departments.

3/1/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

3. 050191 **[Review overtime economies for Fiscal Year 2005-06.]**
Supervisor McGoldrick
Request for a hearing of all general fund supported City departments to review overtime economies for Fiscal Year 2005-06.

2/1/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

4. 050490 **[Reducing FY 2004-2005 General Fund overtime appropriations for public safety departments by 5 percent and for certain non-safety departments by 10 percent]**
Supervisor McGoldrick
Ordinance directing the Controller to reduce Fiscal Year 2004-2005 General Fund appropriations to specified public safety departments for overtime expenses by 5 percent, and to specified non-safety or health departments by 10 percent where the savings would be at least $5,000.

3/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

5. 050501 **[Recreation & Park and Public Works Fiscal Year 2005-2006 Budget]**
Supervisor Ammiano
Hearing for the Recreation and Park and Public Works Department to provide a policy and performance based overview of their current year budget and proposed FY 2005-2006 budget submission to the Mayor.

3/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. Sponsor requests this item be scheduled for consideration at the April 7, 2005 meeting.

ADJOURNMENT

IMPORTANT INFORMATION

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There are no items now pending under the 30-day Rule.

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BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Chris Daly, Sean Elsbernd, Fiona Ma, Jake McGoldrick

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Thursday, April 14, 2005 — 1:00 PM — City Hall, Legislative Chamber, Room 250

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

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4/14/05

AGENDA CHANGES

REGULAR AGENDA

1. 050307 **[Budget Updates]**

Supervisor Ammiano

Hearing to consider budget updates from the Mayor, Controller, Budget Analyst, Office of Legislative Analyst and City Departments.

2/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

3/17/05, CONTINUED. Heard in Committee. Speakers: Noelle Simmons, Mayor's Budget Office; Ken Bruce, Budget Analyst's Office.
Continued to March 24, 2005.

3/24/05, CONTINUED. Heard in Committee. Speaker: Monique Zmuda, Deputy Controller.
Continued to March 31, 2005.

3/31/05, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

4/7/05, CONTINUED. Heard in Committee. Speakers: Andrew Murray, Office of the Legislative Analyst, Ernestine Weiss
Continued to April 14, 2005.

2. 050502 **[Fire Department FY 2005-2006 Budget]**

Supervisor Ammiano

Hearing for the Fire Department to provide a policy and performance based overview of their current year budget and proposed FY 2005-2006 budget submission to the Mayor.

3/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. Sponsor requests this item be scheduled for consideration at the April 14, 2005 meeting.

3. 050598 **[Accept-Expend Federal Funding - Community Development Block Grant]**

Mayor

Resolution approving the 2005 Community Development Program; and authorizing the Mayor, on behalf of the City and County of San Francisco, to accept and expend the City's 2005 Community Development Block Grant (CDBG) entitlement from the U.S. Department of Housing and Urban Development, and Program Income of $31,336,306 which include indirect costs of $120,000, and approving expenditure schedules for recipient departments and agencies and for indirect costs.

4/5/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

4. 050600 **[Federal Funding - Emergency Shelter Grants Program]**

Mayor

Resolution approving the 2005 Emergency Shelter Grants Program and Expenditure Schedule; and authorizing the Mayor on behalf of the City and County of San Francisco to accept and expend a $923,756 entitlement grant under the Emergency Shelter Grants Program from the U.S. Department of Housing and Urban Development.

4/5/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

5. 050599 **[Accept-Expend Federal Funding - HOME Program]**

Mayor

Resolution authorizing the Mayor of the City and County of San Francisco to accept and expend the City's 2005 HOME Program entitlement grant from the U.S. Department of Housing and Urban Development (HUD) and Program Income of $10,804,442 for the HOME Program authorized under TITLE II of the National Affordable Housing Act of 1990, Public Law Number 101-625, and approving the HOME Program description as described in the 2005 Action Plan for San Francisco's Consolidated Plan.

4/5/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

6. 050604 **[Public Education Fund Allocation Plan]**

Supervisor Ammiano

Hearing on the Public Education Fund Allocation Plan.

4/5/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. Sponsor requests this item be scheduled for consideration at the April 14, 2005 meeting.

7. 050609 **[Rejecting Sewer Rate Increase]**

Supervisors McGoldrick, Mirkarimi

Resolution rejecting the Public Utilities Commission's most recent sewer rate increase.

4/5/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

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050602 **[Recreation and Park - S.F. Small Craft Harbor Fees]**

Supervisor Alioto-Pier

Ordinance making environmental findings and amending the San Francisco Park Code by repealing Section 12.11 and adopting a new Section 12.11 to increase current fees and add additional rental and services fees at the San Francisco Small Craft Harbor.

4/5/05, ASSIGNED UNDER 30 DAY RULE to Budget and Finance Committee, expires on 5/5/2005.

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